

Lovell

for CONSTRUCTION

FINANCIAL TIMES

No. 27,138

Wednesday December 1 1976 ***10p



CONTINENTAL SELLING PRICES: AUSTRIA Sch.13; BELGIUM F.22; DENMARK Kr.3; FRANCE F.25; GERMANY DM.78; ITALY L.400; NETHERLANDS FL.75; NORWAY Kr.3; PORTUGAL Esc.17.50; SPAIN Pes.35; SWEDEN Kr.2.75; SWITZERLAND Fr.1.70.

NEWS SUMMARY

GENERAL

Foot puts UK unity first

Major Ministers made it clear yesterday that they will be prepared to make substantial concessions to opponents of the Government's Devolution Bill for the Statute Book at the end of this Parliamentary session.

Mr. Michael Foot, Lord President and Minister with overall responsibility for devolution, described the Bill as the best method the Government could devise to give more democratic control to Scotland and Wales while maintaining U.K. unity.

Two possible additions to the Bill are provisions for a referendum in Scotland and Wales and the granting of revenue raising powers in Scotland. Back, Pages 16 and 30

Gulf widens at Rhodesia talks

Against the background of the expected arrival of a delegation of Zimbabwe Liberation Army guerrilla leaders, the gulf between black and white politicians at the Geneva conference on Rhodesia widened further yesterday as each side's publicly declared positions hardened on the formation of an interim Government. Page 7

Carter may cast Dr. K as mediator

Mr. Jimmy Carter, U.S. President-elect, in a two-hour television interview, said he intended to give much more emphasis to international economic problems, adding that he would use Dr. Henry Kissinger as a mediator on an ad hoc basis. Page 6

Britain wins motor rally

Britain's Roger Clark last night won the Peugeot 504 in a gruelling 12-hour endurance race for the Ford Escort RS 1800 after an exciting final day in which Finland's Pentti Arikkala was round-runner for most of the 180-mile round Britain tour. Page 8

Pools prize tax idea rejected

The idea of a general levy on gambling or a tax on pools prize winners to aid sport are rejected in the interim report of the Gambling Commission. Page 5

Roads flooded

More than 12 hours of continuous rain throughout much of southern England has left many roads under several feet of water. Speed limits were imposed on the A1 and M4. Page 10

Death decision

The death sentence on convicted murderer Gary Gilmore, 35, who has pleaded to be allowed to face a firing squad, should be carried out, the Utah Pardon Board announced.

Briefly

German police have arrested Siegfried Haas, 31, whom they describe as a dangerous member of the Bremer-Meinhold gang. A 60-year-old Air Commodore A.C. Cecil-Wright has been elected president of the Kennel Club. Cases of typhoid have been confirmed in three more air transporters from British Airways flight 334 which left London for Melbourne on October 29. The Cambridge Parliamentary election takes place tomorrow. Page 16

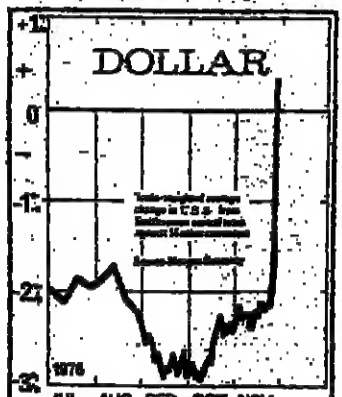
Chief price changes yesterday

Prices in pence unless otherwise indicated		
ICI	252	4
Imperial Chemicals	118	3
Johnson-Rids. (H. R.)	175	13
Lead Lease	42	4
May and Easell	42	4
Nat. Bk. Australasia	200	20
Nat. Westminster Bk.	175	5
Reddick and Colman	288	10
Robb Caledon	42	3
S and Lyle	226	6
Thomson Org.	340	5
Turner and Newall	39	5
BP	402	6
Shell Transport	103	10
BE South	103	10
CRA	220	20
EZ Industries	190	10
EDM Holdings	330	45
Peko-Wallend	35	8
Thames Exploration	173	15
Thames Holdings	97	3
Westfield Minerals	173	3

BUSINESS

U.S. \$ shows strong gain

STERLING gained 40 points to \$1.6525 its weighted depreciation narrowed to 45.3 (45.3) per cent. The dollar's depreciation of 0.18 per cent. was trans-



formed into an appreciation of 0.35 per cent, reflecting the decline of the Canadian dollar which closed at \$0.80.9605 (\$0.9785).

GILTS suffered losses ranging to 1. The Government Securities index fell 0.24 to 58.10.

EQUITIES fell in a thin market. The 30-share index was 4.5 down at 297.6 while the All-Share lost 1.7 per cent to 128.99. The Gold index gained 2.7 to 121.6.

GOLD rose \$1 to \$194.

WALL STREET was 2.91 down at 247.14 near the close.

U.S. TREASURY bill rates: three 4.45 (4.55) per cent; six 4.50 (4.62).

ICI takes stake in U.S. project

ICI is taking a 5.5 per cent stake through two subsidiaries in the construction of a \$600m, ethylene plant in Texas. Its first venture into basic petrochemicals manufacturing in the U.S. Back Page 8

JOHNSON and Firth Brown is appealing against yesterday's High Court injunction granted to Dunford and Elliott preventing it going ahead with its \$3.5m takeover bid. Back Page 6.

TTNE and WEAR County Council said members of ASLEF, the train drivers' union, had agreed to stop blacking the £16m. Tyneside Metro project.

BOARD MEMBERS of State Industries, who earn between \$10,000 and \$20,000 a year, are expected to turn up in force at a January meeting in London to form an organisation to press their pay claims. Page 8

HOUSEBUILDING starts in October fell to the lowest level for 18 months, according to Department of Environment provisional estimates. Page 10

U.S. SENATE Finance Committee chairman recommended a \$30bn. fiscal package to keep the economy moving.

NORWEGIAN Royal Commission recommends increasing the number of public appointees in the commercial banks' representatives councils so that shareholders' elected representatives would be in a minority. Page 28

SPOCK EXCHANGE report was highly critical of Sir Hugh Fraser, chairman of Scottish and Universal Investments. The company's first-half pre-tax profit fell to \$2.7m. (\$2.67m.). Back Page 24 and Lex

ICL pre-tax profit for the year to September 30 rose to \$23.07m. (\$16.15m.) on increased turnover of \$288.34m. (\$239.77m.). Page 26

SWAN HUNTER GROUP first-half pre-tax profit rose to \$3.76m. (\$2.35m.), subject to a substantially increased charge of \$1.96m. (\$0.4m.). Page 26

Accounting proposals gain wide support

BY MICHAEL LAFFERTY, CITY STAFF

The proposed new inflation accounting system, known as current cost accounting (CCA), launched yesterday by the Accounting Standards Committee, the rule-making body on accounting matters, has received strong support from the Government, the Opposition, industry, and the City.

The new system, which is essentially based on the report of the Sandilands Committee of Inquiry published in September 1975, will now be open for a six-month period of public debate. Then a definitive accounting standard will be drawn up for publication probably in early 1978.

The first phase of implementation will come for listed companies, other companies with assets or turnover in excess of £10m, and the nationalised industries for accounting periods starting after July 1, 1978.

Companies with 50 per cent or more of their assets overseas are given more time. They come in two phases: those with assets or turnover of between £1m and £10m, in January, 1979. Phase three, for companies with a turnover or assets of £100,000 or more starts in January, 1980.

The proposed system, appearing in a document known as exposure draft 18, was drawn up by a steering group of the ASC under the chairmanship of Mr. Douglas Morphet on which the Government had two representatives.

The exposure draft is a compromise between the Sandilands recommendations, which only deal with the specific impact of inflation on physical assets—stocks and plant—and the accountancy profession's earlier preference for a system known as current purchasing power accounting whereby all figures in existing historic accounts would be updated by the Retail Price Index.

It is now proposed that companies should be required to consider, and if they think it particularly circumstances make it necessary, provide for the effects of inflation on non-physical items—that is money or near money assets and liabilities.

There will also be a new "prominent note" to the accounts in which a company's performance will be compared with the Retail Price Index.

It was made clear yesterday by Mr. Morphet and Sir William Slimmings, the ASC chairman, that their main concern is to see the basic Sandilands adjustments—on which there is now general agreement—implemented as soon as possible.

Mr. Morphet admitted that the steering group had been unable to agree whether or not the best way to deal with monetary items of Directors, and the 100 Group of top finance directors.

Mr. Delia agreed that the new accounting system should apply to nationalised industries and other public trading entities "subject to any necessary adjustment to meet their special circumstances."

The Government is giving separate consideration to the question of using CCA for taxation and price control purposes.

Sir Geoffrey Howe, Shadow Chancellor, welcomed the exposure draft but said there were still some hurdles to be cleared before it could be finally adopted. "In particular the application of the discretionary powers of directors over transfers to reserve, the treatment of deferred taxation, and other matters that may reduce the comparability of accounts will need attention," he said.

The proposals also met with general approval from the Confederation of British Industry, to agree whether or not the best way to deal with monetary items of Directors, and the 100 Group of top finance directors.

President-elect Jimmy Carter has urged America's largest steel companies to "reconsider" their proposals to increase the price of certain steel products by 6 per cent as from tomorrow.

Yesterday U.S. Steel, Bethlehem and Republic Steel, the three largest U.S. steelmakers, followed the lead of smaller producers in raising the price of flat-rolled steels which are used primarily by the car and consumer appliance industries.

Also yesterday the Aluminum Company of America (Alcoa) announced that it will increase prices for rigid aluminum sheets used in making beer and soft-drink containers by an average of 11 per cent as from early next year.

There was no immediate response from any of the steel makers to Mr. Carter's approach, which was made through third parties.

However, this Carter move can hardly fail to stir memories in the U.S. steel industry of their confrontation with the President in the early 1960s. On that occasion, the steel companies were persuaded

not to go ahead with their proposed price increases.

Interviewed on nationwide television late last night, Mr. Carter said that he had expressed his concern about the price increases to the steel companies. He added that the response had been "noncommittal" and that the steelmakers had argued that the price increases were necessary.

Mr. Carter added that the steel industry is in a depression and the companies believe that price increases are needed to restore gross margins and maintain income.

Earlier yesterday, the President-elect's Press Office in Georgia said that Mr. Carter was especially concerned that steel price increases would fuel domestic inflation. They would also prompt the oil-producing nations to lift oil prices by a greater amount than might previously have been expected.

CHANCELLOR SETS OUT STRATEGY AS HAGUE SUMMIT ENDS

Healey hints at direct tax cuts in spring Budget

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. DENIS HEALEY, the Chancellor of the Exchequer, yesterday gave a clear hint about cuts in direct taxation. But he said these could only come in the spring Budget. It would be impossible to take such decisions until the shape of the third pay round was known.

On the final day of the Queen's Speech debate in the Commons, Mr. Healey reported on the spirit of the talks so far with the IMF and on the economic background to the Government's forthcoming decisions.

But he gave no indication of the overall size of the expected measures or the balance between public spending cuts or increases in indirect taxation, ahead of the key Cabinet meetings to-day and to-morrow on the general shape of the letter of application for the \$3.9bn. IMF loan Britain is seeking.

Mr. Healey said the IMF was "as anxious as we are to ensure that any adjustments should be sufficient to do the job—that we should not have to take another bite at the cherry."

The Chancellor stressed that Britain needed a programme to bring the economy into balance at a pace which would not strain the national consensus "on which all hope of industrial progress must depend."

There was no question of the IMF seeking to impose on Britain a massive dose of deflation. And referring to the

social contract and the industrial strategy, he added: "On the contrary, we have been assured again and again that the basic thrust of our policy is right. But the IMF would not believe that financial balance was possible at once. They recognise we need a two- or three-year stabilisation programme."

This can be seen as a reiteration of the Government's intention to make any adjustments—for example, in public spending—over at least two years and not just concentrate them in 1977-78. This would apply notably to the reduction in housing subsidies which is now being considered and which would take some time to put into effect.

The repeated stress on the common ground between the IMF and the Government was clearly intended to strengthen the Chancellor's hand ahead of the Cabinet discussions.

It is for the British Government alone to decide the size, nature and phasing of the adjustments required to bring our economy into balance in time. When we have taken our decision, the IMF will have to decide whether we have decided wisely.

Mr. Healey underlined the need for a steady and continuing reduction in the public sector borrowing requirement.

Unless this happened, Britain was likely to find that the borrowing requirement could only be financed at such high

interest rates that it would damage industrial policy.

But no reduction in the borrowing requirement could be achieved by an increase in direct tax. "The level of income tax is already dangerously high and is doing real damage to our economic performance."

Mr. Healey referred to the social and political problems caused by people out of work being able to earn more than those in work. This was producing a backlash among the low-paid.

No decisions on adjustments to income tax could be taken until the spring Budget, however. The Government appears to be determined that the outlines of the third stage of the pay policy should be clear before the tax adjustments are made, rather than the other way round as happened this year.

Mr. Healey also pointed out that if the Government had now over-estimated the size of the adjustment necessary to bring down the public sector borrowing requirement to the right level, the necessary demand could be fed back by income tax cuts next spring.

The Chancellor devoted a large part of his speech to the bleaker economic prospects for both the world and the U.K. economy since the July package, but stressed the difficulties of economic forecasting at present, particularly because of uncertainties over the causes of the

recent poor export performance. Unless the growth of world trade improved the increase in Gross Domestic Product next year might only be half as high as had been expected in July. This meant a rise of 2.5 per cent, compared with the 4 per cent annual rate of rise projected in the summer.

He said the IMF agreed with the Government that if private industry took advantage of its competitiveness at home and abroad the balance of payments should be in surplus on current account in 1978, and the IMF credit would be a bridging loan until then.

Mr. Healey thus implied a much slower balance of payments improvement than that postulated in the recent forecast of a surplus in 1977 from the National Institute of Economic and Social Research. He pointed out in particular to the Treasury opinion that a great improvement in the terms of trade—the ratio of export prices to import prices—could not be readily assumed. Indeed he expected some deterioration next year as import prices rose. There might be some reduction in relative export prices.

The Chancellor also quantified for the first time the impact of the recent move to stop banks lending sterling overseas to finance trade between third countries. This would produce an improvement of £500m. in the capital account next year. Parliament, Page 18

HEADS OF EEC Governments have expressed that the time is ripe for any significant moves towards a more unified economic policy.

While Britain's problems received a sympathetic hearing from other heads of Government today, it was made clear to Mr. Callaghan that the U.K. was not alone in suffering from high unemployment, slow growth and inflation, and that in this sense it could not expect special treatment.

Mr. Callaghan told journalists that the European leaders displayed a strong desire to co-operate in combating unemployment and inflation but that they were "stronger on analysis than on remedies."

The Prime Minister suggested closer study of ways to increase private investment in industry.

The rather inconclusive nature of today's discussions on economic problems was reflected in the leader's adoption of a policy statement prepared by the EEC.

This proposed that there should be no general change in short-term policies and merely urged surplus countries to ensure a continued expansion of domestic demand and deficit countries to observe strict fiscal and monetary disciplines.

The European leaders made little progress to-day in narrowing their differences over how to respond to demands by the developing world in the North-South dialogue. The clear hope of the majority is that the closing phase of the Paris dialogue will be postponed from mid-December until after the Carter Administration is installed in the U.S.

It is hoped that the impetus for such a postponement will come from Washington. A formal statement issued after the meeting fell short of proposing a delay, though it stated that "further progress must be made by the spring of next year."

The Heads of Government also issued a mildly worded declaration calling for further consultation between the EEC and Japan on ways to correct the imbalance in their mutual trade. It said that it expected "substantial progress" to have been achieved before the EEC leaders held their next "summit" in the spring of next year.

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Japan trade declaration Page 6

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by CLEMENT CRISP

Round House

by MAX LOOPER

These are, at first sound, angular songs, fearlessly wide in range of line, patterned in rhythmic shapes of extreme complexity, reserving moments of lyricism for places most ill-fitted in the final song "Breath," the soaring, plunging vocal achieve an atmosphere of ecstasy more beautiful for the relative austerity of the voice part earlier. Detail after detail reverberates far too many to be noted or described here. One element in Miss Bishop's poetry Carter's music is perhaps incapable of expressing: the quiet wit of the language. It is a student of Randall Jarvis who brings a smile when security of the performance was reassuring. The other premiere of the concert, Three Pieces (for chamber orchestra) from seven-movement work entitled *Il tempo e la memoria* (1874), by the young Venetian composer Giuseppe Sinopoli, was inevitably overshadowed—though, as in shape, colour and sonority the music appeared utterly without individuality, fearless in its avant-garde competence, that was less of an injustice than it might otherwise have been. The concert, which also comprised two pieces by Serenade, Op. 34, is being broadcast on the evening of December 12, and is well worth catching.

Elizabeth Hall

Second-hand Songs

by DOMINIC GILL

amiable, and a lovely student essay of Puccini vividly pre-echoing *Bohème*, were both more charming than naughty. But a wickedly insinuating frame-up of Kreisler by Geraldine Farrar, and in another vein (or as Miss Berberian herself put it, another Vaughan) the Ravel-transformation of "The Lamp Is Low," were as deliciously exact as they were deliciously funny. Happy evening: need we really wait so long again for more?

The Society of
West End
Theatre Awards

The Inaugural Society of West End Theatre Awards have been announced as follows: Designer of the Year: Farrah; Director of the Year: Jonathan Miller; Comedy Performance of the Year: Penelope Keith; Actor of the Year in a Revival: Alan Howard; Actress of the Year in a Revival: Dorothy Tutin; Supporting Artist of the Year: Margaret Courtenay; Actor of the Year in a New Play: Paul Copley; Actress of the Year in a New Play: Susan Wokosin; Comedy of the Year: *Donkeys* '87; Musical of the Year: *A Chorus Line*; Play of the Year: *Dear Daddy*.

A Special Award was made to the London's Theatres Campaign.



Television

Real life by CHRIS DUNKLEY

And I, as someone who does very often watch seven hours a night in addition to daytime reviews, would be delighted to know whereabouts this debunking goes on: like all the eroticism and lasciviousness regularly America's uncensored censors in the rodeo town of Cody and in Lost Springs, the smallest country town in America, ("Pop. 7, Elev. 4,996.") Over beautiful scenes of grass and sky Stan Wolz sang plaintively of his abiding belief that "simple truth

Festival Hall

North German Radio

by RONALD CRICHTON

satisfying mixture of weight and keen attack which still largely eludes our players. The oboist was eloquent in the Andante, which movement brought the best playing of the evening.

Community theatre in Glasgow

A grant has been made by the Manpower Services Commission to enable the Glasgow Citizens Theatre to mount a project under the name TAG—Theatre Around Glasgow.

Royal Shakespeare Theatre

King Lear

by B. A. YOUNG

All this is hard on Donald Kent is played by Bob Peck clearly happier in his proletarian character than he is actually. Sinden, whose playing of the part is a landmark in his career for which comic us have to wait, retaining when he is an earl again, and there is a telling performance by Richard Durden of an intellectual Albany who compares interestingly with John Corcoran's Albany.

Qualities impressed on us in the days of his prosperity fade away: the world is not his, he has no imperial authority—"I will do such things"—they are replaced by a softness of character alien to the first concept. The years that well as the world, which he has lost, came my max in the stocks? are a foretaste of "Poor naked

Michael Williams has now established himself as a fool poor excellence, and as Lear's Fool, an ageing, frail little man, a hold as Kojak, he presents a picture of a suburbanite, a sovereign might indeed love a one loves pet.

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EUROPEAN NEWS

Turkey agrees DM 1.5 bn arms deal with W. Germans

BY METIN MUNIR

AGREEMENT in principle has been reached on a DM1.5bn arms sale to Turkey by German manufacturers in talks here last week, but the formidable obstacle of financing the deal is still unsolved, an official source said here today.

The package includes Leopard tanks, missiles, spare parts and a programme to modernise a number of Turkish tanks by fitting diesel engines and sophisticated optical devices. The figure of 150 Leopards has been mentioned, but the source would not confirm nor deny this.

"The German side is willing that the negotiations lead to a good result," the source said.

Spanish congress allowed

BY ROGER MATTHEWS

MADRID, Nov. 30.

THE SPANISH Government gave formal approval for the Spanish Socialist Worker's Party (PSOE) to hold its first congress in Madrid since the end of the Civil War. Prominent European Socialist leaders are expected to join several hundred national delegates during the four days of debates beginning next Sunday at a leading Madrid hotel.

Although the PSOE is still illegal, as it refuses to submit to the Government's vetting procedure, the congress will mark an important step towards its participation in the elections promised for next year.

The Socialists insist that the elections will not be democratic unless all parties, including the Communists, are allowed to participate — an argument the Government will not accept. They have threatened to campaign for abstentions in the December 15 referendum on constitutional reform if basic democratic guarantees are not forthcoming.

Prime Minister Adolfo Suarez is likely to take advantage of the presence of European Socialist leaders in Madrid to invite some of them for talks, especially Herr Willy Brandt. Before plans for the PSOE conference, originally scheduled last month, were hushed because of Government objections, the regime had let it be known that the presence of Mr. Michael Foot, the U.K. Labour Party Deputy Leader, would not be particularly welcome.

Barre holds back on reflation

BY OUR OWN CORRESPONDENT

PARIS, Nov. 30.

M. RAYMOND BARRE, the French Prime Minister, has reiterated that the Government had no intention of adopting a reflationary package as long as inflation and the trade deficit were running at their current high levels.

The Prime Minister was speaking to a gathering of businessmen a few days after the publication of the latest official price rise figures, which showed that the cost-of-living index had jumped by 0.9 per cent in October and that the inflation rate for 1976 as a whole would thus be in the region of 11 per cent, about 1.5 points higher than last year.

New French steel borrowing

BY DAVID CURRY

PARIS, Nov. 30.

THE FRENCH steel industry is raising a further Frs.975m. on the domestic market to bring its total borrowings on the home and international markets this year to Frs.2.3bn.—representing about 85 per cent of the Frs.2.7bn. expected to be invested by the industry this year.

The money is being raised by the Groupement de l'Industrie Siderurgique which is the funding vehicle of the steel industry. On the international market the GIS has already raised Sw.Frs.60m. by way of a private placement and \$25m. on the Euro market.

A ten-year loan for Frs.700m. is being issued at par with a coupon of 11.4 per cent, while the GIS is raising a further Frs.275m. by an exchange of bonds issued in 1974.

Perez to help Portugal

BY PAUL ELLMAN

LISBON, Nov. 30.

VENEZUELAN PRESIDENT, Sr. Carlos Andres Perez today promised Portugal help in its mounting economic problems. At the end of his state visit here, the last stop on a two-week European tour, the Venezuelan leader said that an agreement had been signed under which Portugal would receive easy credits to meet part of its oil import bill.

Sr. Perez said he had informed the Portuguese Premier, Sr. Mario Soares, that members of the Organisation of Petroleum Exporting Countries were willing to help developing nations burdened by rises in oil prices, and would receive easy credits to meet part of its oil import bill.

NATO WEAPONS PRODUCTION

All pulling in different directions

BY ROBERT MAUTHNER

PARIS, Nov. 30.

A DISTURBING picture of the incapacity of Nato's "integrated forces" to wage war effectively because of the continuing diversity of its equipment, is given in a new study on the rationalisation of allied weapons production by a former Assistant Secretary-General of the organisation, Dr. Gardiner Tucker.

The publication of the pamphlet by the Paris-based Atlantic Institute is timely, because the problem will figure prominently on the agenda of the Nato ministerial meeting in Brussels, starting on December 7.

The author does not deny that substantial efforts have been made recently to standardise weapons and to harmonise procurement programmes, both on a European level and between the European members of the alliance and the U.S. Nato's own \$4bn. infrastructure programme to facilitate joint operations, the establishment of 220 Nato air fields to provide air defence capability all along the area's frontier, joint aircraft production programmes (such as the Jaguar, and the MRCA) and the

craft, six different types of recoilless rifles, four different types of wire-guided anti-tank weapons, and three different types of mortar, rifle and machine-guns.

Though it is supposed to be deployed quickly in the event of a crisis, its mobility and combat-readiness are severely hampered by the fact that each of the seven national units is obliged to maintain its own logistics organisation to supply its own troops and aircraft.

The same is true for the Nato navies which, to-day, are composed of 190 different types of ship of 30 different types of radar for gun-fire control and 40 different types of gun of 30mm or larger calibre, all using different ammunition. The fleet can remain operative only if supply ships from each participating country replenish their own vessels.

The picture is hardly brighter as regards the Nato air forces. Modern action, even some integrated Nato airfields, can resupply or reload only air-

which national armaments industries play in the economic life of the member countries, and the link which is made by some between a viable defence industry and national independence.

He therefore emphasises that the necessary industrial and technological rationalisation of the armaments industries within the alliance must take into account the need for all member countries to share equitably in the ensuing economic and technological benefits.

The first prerequisite, as has already been widely recognised, is a common agreement on the characteristics of weapons needed by the alliance for any particular purpose. Equipment must then be jointly selected in such a way that each nation is given an opportunity to supply others with military equipment comparable to monetary value to those it procures from them, so as to minimise net deficits on military accounts. In addition, all member nations must be encouraged to play a constructive role in research and development, and scientific, technological and proprietary information should be freely shared.

The author is, as one would expect, entirely in favour of the concept of the "two-way street" between the U.S. and Europe in the development, production and procurement of armaments—as first proposed by the former U.S. Defence Secretary, Mr. James Schlesinger—but emphasises that what is still lacking is agreement on the proper balance of trade between the two sides of the Atlantic.

THE NEW MEN IN BRUSSELS

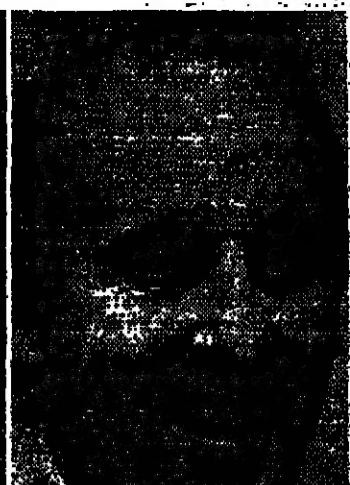
Moving further with the 'construction of Europe'

BY ROBIN REEVES

THE HAGUE, Nov.

THE COMPOSITION of the new European Commission, which for the next four years will be charged with continuing the "construction of Europe" under the leadership of Mr. Roy Jenkins, fell into place here today.

Months of gossip and speculation concerning Mr. Jenkins' Brussels team were partially ended this morning when Mr. Joop den Uyl, the Dutch Prime Minister and presiding EEC Council president, announced the definitive list of commissioners to take office in January. It contains only seven new faces out of the total of 13 commissioners (two from the big EEC countries and one from each of the smaller countries).



From left: Sig. Giolitti, Visconti Davignon, Sig. Natoli and Dr. Vredeling.

Speculation about the share-out of portfolios, however, is destined to continue since this is a decision for the Commission at its first meeting in early January. Indeed, there are suggestions already of a reallocation of responsibilities, with the external relations portfolio, for example, being divided among more than one commissioner.

Among the new Commission members, both the French and West German Governments have decided to confirm their present appointees for a further term in Brussels. This means that M. Ortoli, M. Claude Cheysson, who has been dealing with the Cyprus war of 1974, and M. Willem Haferskamp, responsible for

economic and monetary affairs, and Her Guido Brunner, at present commissioner for research and education, will be staying on, if in different capacities.

Mr. Jenkins will, however, have two new Italian commissioners, Sig. Antonio Giolitti, former budget minister, and Sig. Lorenzo Natoli, a former Italian minister of agriculture.

The Netherlands has appointed a maverick Socialist politician, Dr. Henk Vredeling, currently a Brussels dossier which fits his talents. In practice this means energy or an external relations dossier.

Of the remainder, Mr. Finn Gundelach is staying on for Denmark, Luxembourg is re-appointing M. Raymond Vooet, a former finance minister, and the second British appointment, indicated by his name, is conditional upon his receiving the Brussels dossier which fits his talents. In practice this means energy or an external relations dossier.

Education, while Belgium's choice is Visconti Davignon, now head of the Foreign Ministry and current chairman of the International Energy Agency. That said, Belgium has

along with Mr. Jenkins as a member of the 'already' and Mr. Christopher Tuge presently Conservative M. the City and Westminster. Politically, the 13-man mission will contain Socialists and five political the Centre or Right. Gundelach and Vooet, non, coming from M. administrations, have declared political labels.

Italian trade deficit up

By Our Own Correspondent

ROME, Nov. 30

A SPATE of economic statistics released today show that, while Italy's industrial production is still running at a high level of activity, this has been accompanied by a growing trade deficit and a deterioration of the balance of payments position after the mid-summer recovery.

Industrial production in September rose 14.8 per cent compared with the same year ago month, while production over the first nine months as a whole was 10.8 per cent. up over the same recession period, compared with 1975. At the same time, however, the trade balance over the first nine months showed a deficit of L.5,812bn., compared with L.3,785bn. in the same year-ago period. Over this period, exports L.6,000bn. and imports L.12,590bn. In September alone, imports rose 35 per cent to L.3,220bn., while exports rose slightly faster at 38 per cent to L.5,712bn., leaving a deficit for the month of L.598bn.

This situation is reflected in the overall balance of payments figures, which show a revised deficit of 649bn. lire in September (after a surplus of 523bn. lire in July and 254bn. lire in August), compared with a deficit of 198bn. lire in September, 1975. Over the first nine months as a whole, the balance of payments deficit amounted to 1,824bn. lire, compared to a deficit of 478bn. lire in the same period of 1975.

Latest provisional payments figures for October, also released by the Bank of Italy, show a smaller deficit of 76bn. lire for the month.

Simon warns of fall in trade

BY OUR OWN CORRESPONDENT

MOSCOW, Nov. 30.

U.S. TREASURY Secretary Mr. William Simon and Soviet Foreign Trade Minister Mr. Nikolai Patolichev issued almost identical warnings today that the momentum of U.S.-Soviet trade will begin to falter next year unless U.S. amendments linking trade to easier Jewish emigration are repealed.

The two men made their remarks before an opening session of the U.S.-USSR Trade and Economic Council meeting here, which was attended by about 250 prominent American business people, as well as representatives of Soviet foreign trading organisations.

Mr. Simon said that, for the moment, U.S.-Soviet trade statistics look promising, with every indication that total trade over the level of trade in 1975, and twice the value of trade in 1974. He also warned, however, that if something is not done about the "known trade and credit legislation" which has

shadowed Soviet-American trade, U.S. exports to the Soviet Union next year will not reach the level attained this year, and the Soviet Union will develop its trade with other countries.

The speeches by Mr. Simon and Mr. Patolichev appeared to be aimed at the incoming Democratic Administration, but it was left to Mr. Simon to lay the point specifically, stating that the amendments which block Government financing of American exports to the Soviet Union, and most favoured Nation status for the Soviet Union, serve neither the political nor the humanitarian interests of the United States.

He called on the new Administration to work with Congress to remove these "impediments" to U.S.-Soviet trade.

Greek Cypriots 'being pushed out'

By Our Own Correspondent

PARIS, Nov.

THE GREEK Cypriot Government claimed yesterday that Cypriots remaining in the uncontrolled part of the island were being placed under intense pressure to quit homes that there could be none of them left in the zone within six months. It claimed that evidence was mounting of efforts by the Government to colonise island with mainland Turks.

He quoted UN figures that of the 6,000 Greek Cypriots in the Turkish zone, 5,000 now remain

Election fever in Italy

BY ANTHONY ROBINSON

ROME, Nov. 30.

A SIGNIFICANT sample of small town and provincial Italy went to the polls last weekend to elect new council of quarters, or neighbourhood councils, and the electoral trend which emerged shows further gains by the two major protagonists, the Christian Democrat and Communist parties, and a decline for the smaller, intermediate parties following the pattern of the general elections last June.

The Christian Democrat Party is particularly pleased with itself. In Florence, the largest town of the sample (which went to the polls at the local elections in 1975) the party gained 0.4 per cent, on its general election

result and 5.3 per cent on its result in the local elections of 1975. The Communist Party increased its share by 3.8 per cent, compared with the general elections—largely due to the absence of the Proletarian Democrat and Radical parties, who presented their bids too late, and who obtained 3.4 per cent at the general elections.

The Christian Democrats gained 38 per cent of the votes in Arezzo compared with 35.3 per cent at last June's elections and only 34.4 per cent in the local elections of 1975, but the Communist Socialists and mixed Left-wing party lists held their ground well with a marginally improved total of 54.3 per cent.

and now, he cannot be turned a corner

Six-foot-four Sergeant "Tiny" G.P. 100M, was perhaps the bravest man his Colonel ever knew.

But now, after seeing service in Aden, after being badly injured and subdued again more recently, Sergeant "Tiny" cannot be turned a corner. For fear of what is on the other side.

It is the bravest men and women from the Services who suffer most mental breakdown. For they have tried, and one of them, to give much more, than they could in the service of our Country.

We look after these brave men and women. We help them at home in hospital. We run our own Convalescent Home. For some, we put work in a sheltered industry, so that they can live without care. For others, there is our Veterans' Home, where they can see our days in peace.

These men and women have given their blood to their Country. I am to help them, we must have funds. Do please help us with a donation. With a legacy too, perhaps. The debt is owed by all of us.

"They've given more than they could—please give as much as you can."

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EUROPEAN NEWS

DAVID SATTER, Our Moscow Correspondent, recently back from a journey to the Uzbek Republic, reports on one of the USSR's remotest regions.

The sickle and the crescent

ON A BUSY boulevard, across from Tashkent's large department store, stands a 16th-century school for training Moslem priests, used by milling crowds and traffic, the rectangular building with its mosaic walls and pointed arches provides a silent reminder in modern, multi-national Tashkent of a traditional Islamic past.

The past is easy to forget in Tashkent, the capital of the Uzbek Soviet Republic and a city of 1.6m. Already the most Sovietised of the Republic's major cities, Tashkent is embarking on a construction programme which will provide modern housing for thousands of people—but which will also involve the destruction of old Uzbek districts with their crowded, one-storey clay houses, dimly-lit passageways and winding streets.

Tashkent is expected to have a population of 2.6m. by 1990, which could make it the third largest city in the Soviet Union after Moscow and Leningrad. The increase is expected to result from immigration from the countryside and a rate of natural increase in Uzbekistan of 3.5 per cent, a year compared to 1 per cent for the Soviet Union as a whole.

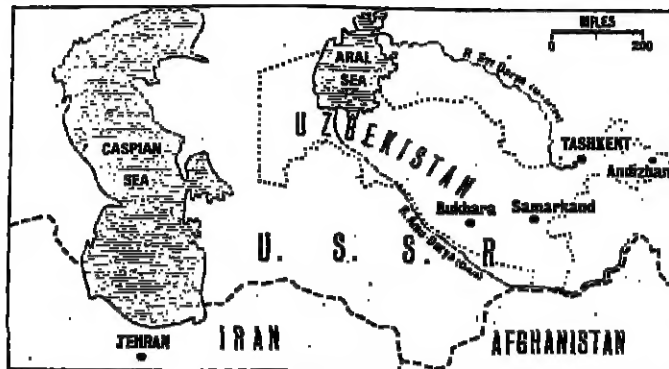
The future city is to consist of multi-storey apartment buildings, open squares, parks kept green by the city irrigation network and artificial lakes. A sports stadium with a seating capacity of 100,000 is to be erected and a new underground railway built to withstand Central Asian seismic disturbances is to be built with an ultimate length of 40 kilometres. The first 12-kilometre leg of the system is to open next year.

The changes in Tashkent, and similar, although less extensive, physical changes planned for such cities of the faded Silk Route as Samarkand and Bukhara reflect the continuing modernisation of the Uzbek Soviet Republic, an ancient land of merciless heat and parched, barren steppes which has been transformed since the Russian revolution from a neglected oriental backwater into a major industrial and agricultural centre.

In 1913, there was little industry in Uzbekistan, aside from a few cotton plants in the hands of private owners. To-day, 58 per cent of the Republic's products are industrial and there are a hundred

branches of industry including machine building, metallurgy, gas and oil extraction, radio engineering, electronics, cotton spinning, silk manufacturing and the extraction of non-ferrous metals. Between 1913 and 1975 gross output in Uzbekistan increased 80 times, fuel production over 1,000 times and machine building over 10,000 times. In 1913, total power production in Uzbekistan amounted to 3m. kilowatt hours. In 1975 annual power production stood at 33bn. kilowatt hours.

The growth of industry has been accompanied by the expansion of agriculture. Gross agri-



cultural output was six times greater in 1975 than in 1913 and production of cotton, Uzbekistan's staple product, has expanded from 821,000 tons produced in 1913 to over 5m. tons in 1975. This expansion of agriculture has been largely the result of irrigation and mechanisation. Between 60 and 68 per cent of all arable land in the Republic is irrigated, and 70 per cent of all irrigated land is under cotton.

The changes throughout Uzbekistan in a single generation have produced a region in which peasants' donkeys feed peacefully in the shadow of modern high rises; women in ankle length gowns walk down modern commercial streets carrying bundles on their heads and old men haggle over bags of fruits and nuts in front of signs praising the decisions of the 25th Communist Party Congress.

The economic development of Uzbekistan brought fundamental social change. Improved medical care extended life expectancy from 32 to 72 and almost universal literacy now exists, where only 2 per cent of the popula-

tion could read and write before the revolution.

In the 1920s, the first woman to appear on stage in Tashkent was murdered, as were women who removed their veils in Samarkand. To-day, 76 per cent of the Republic's teachers and doctors are women as are 100,000 of Uzbekistan's 489,000 communist party members.

Uzbekistan produces two-thirds of the Soviet Union's cotton, accounts for 14 per cent of its gas production and contains a high proportion of its cotton-related industry. The Republic has a population of 14.6m., 67 per cent of whom are

Uzbek and the total population is expected to reach 30m. by the year 2000. At the epicentre of the 1966 Tashkent earthquake, there is a monument enshrined by a mural depicting the help in reconstructing Tashkent which came from each of the constituent Soviet Republics. The theme of the mural is that "friendship of peoples is stronger than the elements."

National self-expression is encouraged in Uzbekistan as long as it pre-supposes participation in a multi-national Soviet state. Newspapers are published in Uzbek, as well as in Russian, Tatar, Kazakh and Karakalpak. Uzbek composers and writers are studied and published. The Uzbek language book publishing industry is active and 70 per cent of the broadcasts in the Republic are in Uzbek. Children may attend either Uzbek or Russian language schools with compulsory instruction in the other language beginning at the age of eight. The Soviets are not solicitous of aspects of Uzbek culture which contradicts Marxist-Leninism or express

most clearly Central Asia's cultural and historical distinctiveness.

The practice of the Moslem religion is tolerated but circumscribed. There are believed to be 30m. Moslems in the Soviet Union and approximately 10m. of these live in Uzbekistan. Only 25 to 30 people a year, however, are able to make the pilgrimage to Mecca. The Koran was last published in 1973 in an edition of 26,000 copies and there is only one active school for training Moslem priests in Uzbekistan.

During the 1976-80 five-year plan, Uzbekistan is expected to continue to develop and modernise. Industry is targeted to grow 36 per cent over the five-year period, national income to increase 32 per cent, and capital investment 21 per cent. Agriculture is expected to grow by 36 per cent and total cotton production by 1980 is expected to approach 6m. tons a year. Real incomes in Uzbekistan are expected to grow 14 per cent.

It is likely that the symbols of traditional Uzbek culture, the Mosques and Madrasahs, will seem increasingly out of place in the modern, monotonous cities growing up around them. Soviet officials insist that the new pride of the Republic is its factories, like the cotton harvester plant at Tashkent which produces 8,000 harvesters a year, and its state farms, like those on the Hungry Steppe, a barren desert transformed by irrigation into a major cotton producing area.

To some extent, the ideological preparations appear to be successful. Young Uzbeks study in universities all over the Soviet Union and the Uzbek local party officials expressed the usual limitless enthusiasm. The Mosques are attended by older people but few younger Moslems are regularly.

The Uzbeks are aware, however, of the separate culture in magnificent monuments they see all around them and they still talk in Samarkand about what happened when Soviet researchers ignored the pleas of the superstitious and opened Tamerlane's grave. Tamerlane himself, according to legend, had warned before he died that if anyone dared to disturb his grave there would be unimaginable suffering and the world would tremble.

Tamerlane's grave was opened on June 21, 1941. The Germans invaded the Soviet Union the following day.

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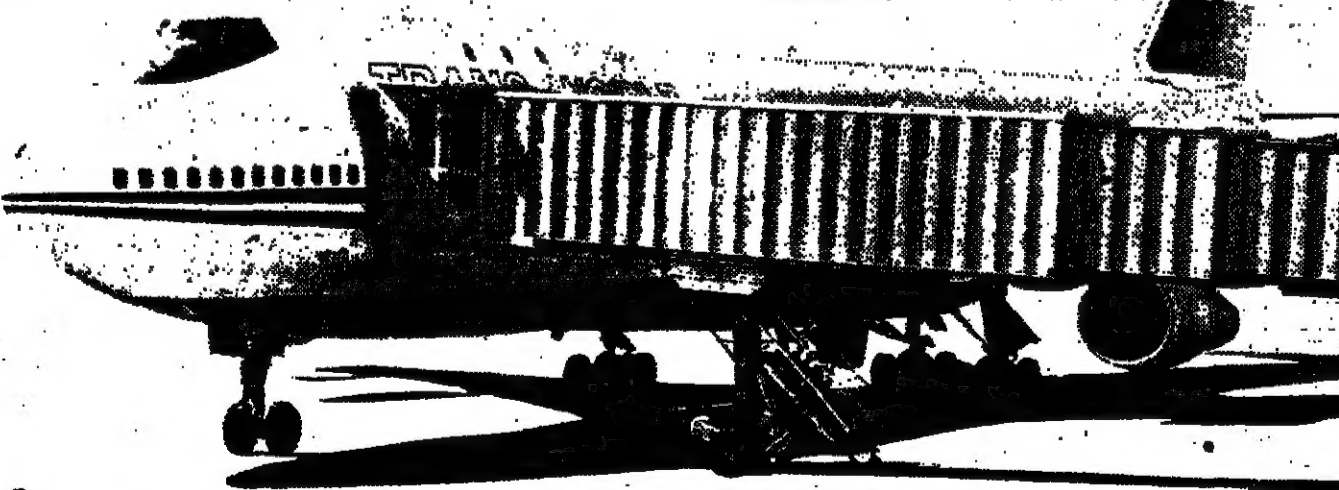
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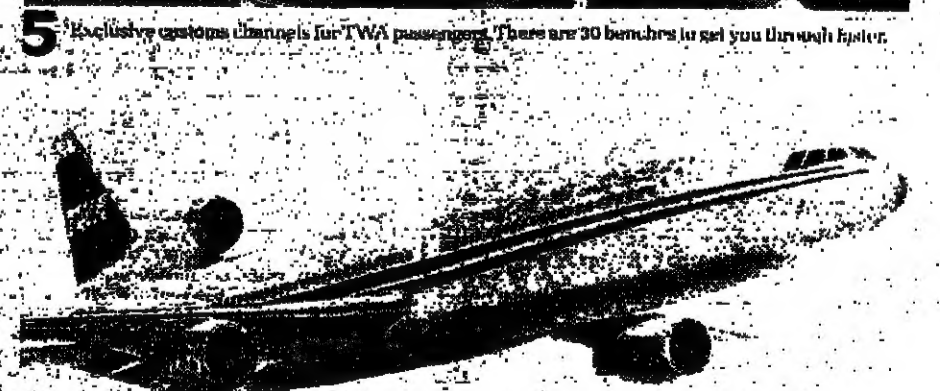
2 Inside the terminal you get straight onto the escalator down to the International Arrivals area which is exclusive to TWA passengers. No other airline offers you this big advantage.



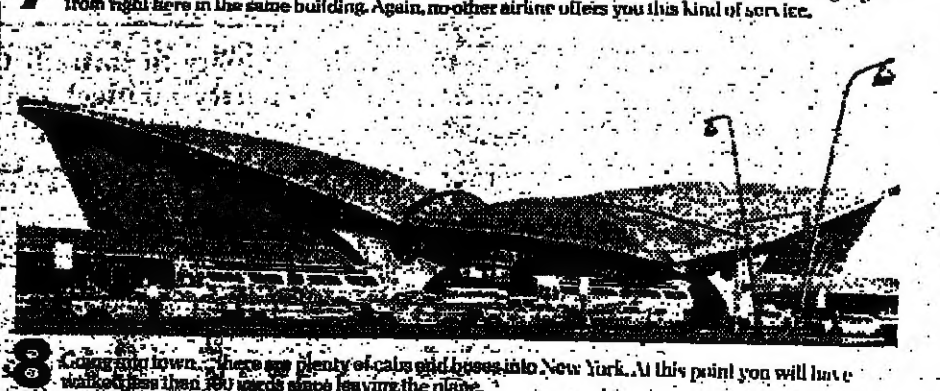
3 You pass through immigration faster because no other airline uses the terminal.



4 When you pass immigration, chances are you'll find your luggage waiting for you for a change. Another advantage of TWA's own terminal is that TWA controls unloading.



5 Exclusive customs channels for TWA passengers. There are 30 channels to get you through faster.



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AMERICAN NEWS

Carter says Kissinger may act as mediator

BY DAVID BELL

MR. JIMMY CARTER, the President-elect, said last night that he intends to give much more emphasis to international economic problems in his administration. Mr. Carter said that a dispute inside the Ford Cabinet and the election had delayed progress on a new strategic arms agreement with the Soviet Union. "This is something that should have been solved months ago," he said.

He also noted that Dr. Kissinger had told him that the Soviet Union had never told him "flatly" during negotiations that they had dealt in "nuances which might be open to varying interpretations." The Chinese, on the other hand, had been more straightforward. He said Dr. Kissinger had told him that the Chinese make a statement you can depend on it.

Mr. Carter repeated his campaign pledge that he would encourage greater standardisation of NATO forces in the years ahead, said that he still intended to cut defence spending and professed himself to be happy with the current sale of

concerned than in the recent past with international economies.

Mr. Carter said that he had learned nothing which had shocked him in his post-election briefings with Dr. Kissinger and others, but he said he was disappointed that a dispute inside the Ford Cabinet and the election had delayed progress on a new strategic arms agreement with the Soviet Union. "This is something that should have been solved months ago," he said.

He also noted that Dr. Kissinger had told him that the Soviet Union had never told him "flatly" during negotiations that they had dealt in "nuances which might be open to varying interpretations." The Chinese, on the other hand, had been more straightforward. He said Dr. Kissinger had told him that the Chinese make a statement you can depend on it.

Mr. Carter repeated his campaign pledge that he would encourage greater standardisation of NATO forces in the years ahead, said that he still intended to cut defence spending and professed himself to be happy with the current sale of

American defences except for the fact that the combat readiness of U.S. forces could be improved.

The new President was, as he has been since past few weeks, cautious about the U.S. economy, reiterating his determination to move cautiously to reduce unemployment. He said that he would probably favour a combination of tax cut and some public works programmes designed to create jobs in specific sectors of the economy like housing and pollution control. There would be no mandatory wage and price controls.

On other matters, Mr. Carter said that it was "inevitable" that energy prices would rise sharply in the next few years and that energy conservation would therefore be an important priority of the new administration.

He said that he was not opposed to nuclear power plants, but that they should be more strictly regulated than hitherto. "I think we should be much more rigid in maintaining environmental quality and efficiency standards."

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Trudeau, Levesque to meet shortly

By Victor Mackie

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EEC declares three month truce on Japan dispute

BY ROBIN REEVES

THE HAGUE, Nov. 30.

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Concession to EEC outlined

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OVERSEAS NEWS

Miki may be forced into coalition say opinion polls

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, Nov. 30.

JAPAN'S three major daily newspapers have published the results of public opinion polls indicating a serious setback for the Liberal Democratic Party in next Sunday's general election.

Of the two polls already published the most pessimistic for the LDP is that by Mainichi Shimbun which suggests that the party could win as few as 240 seats in the 511-seat House of Representatives. The Yomiuri Shimbun gives the LDP 256 seats in the 511-seat House of Representatives. In this election as in previous ones, several conservative independents are likely to be elected and would probably cooperate with the LDP, raising the party's working majority.

The Asahi Shimbun is expected to predict a 250-seat win for the LDP with conservative independents bringing its effective strength to 267. Opinions vary about which of Japan's four major opposition parties will gain at the expense of the LDP, but the forecasters agree that the New Liberal Club, a conservative splinter group, will gain last summer, may damage the ruling party significantly.

Even if the most pessimistic of the three forecasts is right, the LDP will remain easily the largest party in the Japanese Diet and thus almost inevitably the core of any government to be formed after the election. But the party will consider its performance extremely bad if it emerges with even the 250 seats provisionally forecast by Asahi and the



main Diet committees. Failure to win 271 seats would oblige the LDP to seek co-operation from at least one of the opposition parties on some of the Diet committees. The LDP's strength in the present 491-seat Lower House of the Diet is 266 seats giving it a stable majority. But the splitting up of urban constituencies where voters have been under-represented, has added 20 seats at this election. The LDP's poor showing in the election campaign so far, can be put down partly to the impact of the Lockheed affair on the party's image and partly to what appears to be a severe shortage of campaign funds. The three Liberal Democratic politicians arrested last summer on charges of accepting Lockheed bribes are running in the election as "independents", at least one of them with overt support from the party organisation. And several

so-called "grey politicians" who have been named as recipients of Lockheed money and arrested but not charged with legal offences, are running as full party candidates. The public seems to have concluded from this that the LDP has not rid itself of the Lockheed scandal and traditional LDP supporters, particularly those in rural areas who could stay at home in large numbers if the present bad weather continues in northern Japan, appear increasingly demoralised.

The shortage of funds arises from the unwillingness of big business to contribute campaign funds at a time when business is bad. The yield from the business world for election is roughly a quarter of what it was in 1972 and where individual factions within the LDP may have fared better, the amounts they have been able to raise have been restricted by the new law on electoral fund contributions passed in 1974.

Although the Liberal Democrats are clearly doing poorly at this stage of the campaign, the party could pick up support in the final days before the election as a result of some surprise gesture by the Prime Minister Mr. Takeo Miki, perhaps in the form of an explicit promise of a tax cut after the election or of increased social welfare benefits.

Mr. Miki, who has set himself the target of winning 271 seats, is almost certainly anxious to come out with a vote-winning promise of this kind. But he may be prevented from doing so by other LDP leaders who have less of a personal stake than he does in the result.

Israel seeks deal with Lebanon

JERUSALEM, Nov. 30.

ISRAEL hopes to reach an understanding with Lebanon soon banning Syrian or any other foreign Arab force from Southern Lebanon, Government officials said today.

However, they denied reports from Washington and Beirut that an arrangement is being worked out through the U.S. under which Syria would station only a token force in the border area.

"We believe that the Lebanese army now being reconstituted by President Elias Sarkis can assure security in the border areas and prevent Palestinian terrorists from again using the region as a base of operations against us," the officials said.

UPI reports from Beirut: The Right-wing Phalangist Radio said here on Tuesday 1,000 non-Syrian soldiers, will approach Israel from positions about 40 miles north of the frontier. It said the soldiers, probably from Saudi Arabia, Sudan and the United Arab Emirates, are not expected to provoke Israeli objections as they stretch their positions to the strategic port city of Tyre and the inland crossroads town of Nabatiyah. In return, Israel is understood to have stressed to both President Sarkis and Syrian officials that it expects Palestinian commando operations in the south to be curbed.

Meanwhile, difficulties continued to hinder preparations to collect heavy weapons in Lebanon, with none of the rival groups prepared to be the first to give up its guns.

Col. Ahmed al-Bajj, the force's Lebanese Muslim commander, conferred with Mr. Sarkis about the collection of arms. This issue, together with the dispatch of Arab forces to the troubled southern border region with Israel, has preoccupied the President and reportedly delayed the formation of a new Government for Lebanon.

Guerilla delegation casts doubts on Rhodesia talks

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

THE most interesting news to have come out of southern Africa since the conference on Rhodesia convened nearly five weeks ago is that the Zimbabwe Liberation Army is to send an independent delegation to the Geneva meeting.

Delegates to the conference were anxiously awaiting details of precisely who would represent the Mozambique-based guerrillas, and when they would arrive in Geneva. Few doubted that their effect on the Geneva conference, and on the four black and one white delegations assembled there, could be profound.

The Geneva conference would not have been convened at all had it not been for the increasingly bitter guerrilla war now raging in Rhodesia. Few observers know precisely what or who — Zipsa is. Most agree that it is the body which best represents the Mozambique guerrillas.

Despite increasing incursions from Zambia and Botswana, it is the Mozambique-based guerrillas who are currently making the running against Rhodesia's white controlled army.

The most significant point about the Zipsa decision — announced over Mozambique radio on Monday — is that the guerrilla organisation has decided to play a political role. Founded last year by guerrillas from the two former main nationalist parties of Zulu and Xhosa, it attempted to co-ordinate guerrilla strategy in the face of the acute political rivalries between the nationalist factions. Zipsa has so far eschewed a political role, agreeing to leave the political function to known nationalist leaders.

But as the Geneva conference has progressed and has shown those political divisions to be as deep as ever — Zipsa, from its Mozambique base, has been making an increasing number of

political statements indicating its impatience with all the African delegations in Geneva.

Last week it attacked the so-called representatives of Zimbabwians as being virtual tools of imperialists and their racist allies, and accused them of wanting power only for themselves.

Monday's announcement, broadcast by Mozambique radio in a special English language service for Rhodesia, declared that the "top level delegation" which Zipsa was sending to Geneva would go "not as part of any political faction" but as the representatives "of all Zimbabweans."

Armed struggle

The ramifications of the Zipsa action are considerable. First, its policy is much more radical than any of the nationalist delegations now in Geneva. As the Mozambique radio announcement put it, the presence of a Zipsa delegation in Geneva should not be taken as abandonment of "our primary strategy of armed struggle which is the only viable weapon with which Zimbabwean objectives can be totally realised."

This was "the destruction of the racist, settler colonial minority regime and the creation upon its ruins of a genuine people's democracy."

Until such time as the imperialist and their racist allies have unconditionally surrendered power, Zipsa will fight for the realisation of this goal to the bitter end.

Second, the Zipsa statement is — and certainly the arrival of a Zipsa delegation would be — a direct challenge to individual nationalist leaders now in Geneva, in particular, to Mr. Robert Mugabe.

Mr. Mugabe's presence at the conference, and his alliance with the Mozambique base, has been serving as a commando com-

paratively small number of guerrillas, is almost entirely due to his claim to represent Zipsa.

That Zipsa leaders are now maintaining that no nationalist politician represents them is a clear rebuff to Mr. Mugabe, whose position at the conference is thereby greatly undermined.

The ramifications of that could be significant. The frontline African Presidents have supported the Mugabe-Nkomo alliance of the Patriotic Front in the belief that by doing so they would, if and when a settlement is reached at Geneva, be able to sell it to the guerrillas.

That the guerrillas are now apparently denying the political leadership of the Front, and are intent on producing their own much more radical political programme, puts all the discussion in Geneva and the political alliances there back into the melting pot.

It also does something else. For some time now, Western, and in particular British, officials have believed that Mozambique would support any "reasonable" settlement which transferred power to black Rhodesians.

Zipsa's use of Mozambique radio, however, and the similar language it used to that of the ruling Mozambique Front, suggest that Mozambique leaders are torn between their ideological belief in the need for victory in Rhodesia through armed struggle, and for a rapid settlement which would risk (from their point of view) putting old guard "moderate" nationalist politicians in power there.

Until the Zipsa delegation actually arrives in Geneva, the precise effects of Monday's announcement cannot be judged. But in broad terms Zipsa's stand can only throw more doubts on the chances of the conference succeeding in bringing about a peaceful settlement in Rhodesia.

Sino-Soviet border talks resume

By A Special Correspondent

PEKING, Nov. 30.

TALKS ON the disputed Sino-Soviet border area resumed here this afternoon after an 18-month break on the initiative of the Soviet Union. The leading Soviet negotiator Mr. Leonid Ilyichev, who left Peking in May last year when discussions were suspended, arrived back in the Chinese capital on Saturday.

The return of the Soviet negotiator has been interpreted outside China as a sign of an impending thaw between the two countries. But observers within China believe the Soviet overtures reflect more accurately growing Soviet concern at China's nuclear capacity and the post-Mao economic potential China successfully carried out its hydrogen bomb test so far on November 17 and freed from the ideological restraints of Maoist dogma. China's economy is expected to forge ahead on the threat of more than merely a huge population to the Soviet Union.

Unlike the Soviet Union, China has not slackened its propaganda campaign against its socialist neighbour — only last Sunday the New China News Agency denounced the "new Trends at the Kremlin" as "anti-socialist and anti-progressive" and "preparation for the Soviet leaders were meddling in domestic affairs."

A senior Chinese Foreign Ministry official has confirmed that Foreign Minister Chiao Kuan-hua is in political difficulties and undergoing criticism. Reporter reports from Peking: Mr. Chiao has been absent from the public scene since he received the newly-arrived Mongolian Ambassador on November 11. Officials have until now said he was ill but reliable sources said Mr. Chiao and his wife, Foreign Ministry Asian Affairs Director Chang Hanchi, are believed to be accused in connection with the purged "gang of four" radicals grouped around Mao's widow Chiang Ching.

Japan bank deposit rule delay

BY DOUGLAS RAMSEY

TOKYO, Nov. 30.

THE BANK of Japan is preparing a plan to introduce a reserve deposit requirement on all foreign currency liabilities of commercial banks operating in Japan, according to informed sources here. However, a formal decision to proceed with the plan, which may impose a 3 per cent. deposit requirement on all foreign liabilities, is not likely until January.

Commercial banks have been warned of the pending legislation, which the Bank of Japan wants in order to keep closer watch on overseas lending and to add to its arsenal of liquidity controls inside Japan. The original Reserve Requirement Act was amended in 1973 to permit this sort of deposit on foreign liabilities subject to a Bank of Japan decision as to what constitutes such liabilities. On November 16, the Bank published the rules designating all external liabilities in foreign currencies held by residents or non-residents, as well as foreign currency deposits in Japan.

Details of the reserve ratio have not been finalised, but private banking sources have been told that 3 per cent. is not unlikely. It would be particularly onerous on foreign banks operating in Japan which, characteristically, hold 50 per cent. or more of their liabilities in foreign currency.

But the target of an eventual deposit scheme will certainly be Japan's own banks. At the end of October, net foreign exchange liabilities of the banking sector reached \$4.6bn, almost enough to offset the Bank of Japan's own surplus on reserves of \$16.6bn. Even a modest deposit ratio would soak up a great deal of liquidity and constrain the bank's lending activities abroad. Both are goals of the Bank of Japan's pending regulations.

But, for various reasons, a decision to proceed immediately with the deposit requirement has been put off. According to a source inside the Bank of Japan, those reasons include an expectation that a reserve ratio of 3 per cent. will complicate and increase the cost of import financing, since more than 95 per

cent. of Japan's imports are denominated in currencies other than the yen. Such a move would be seen as impeding the flow of imports at a time when Japan is being urged, especially by Europe, to do the opposite.

Another reason for the postponement is that the Bank of Japan wants a further mechanism with which to control liquidity. But introducing a reserve ratio would tighten the money supply at a time when economic recovery is stalled, and the Ministry of Finance is calling for measures for easier credit.

"We have the legal basis to introduce a reserve ratio, but now is not the opportune time," the source said, adding that the procedure completed on November 16 was meant as a "warning" to give banks time to ask questions about the mechanism. The banking sector itself is dubious about the Bank of Japan's motives. Bankers feel that there are already enough mechanisms with which to control liquidity, and they suspect that the real motive is to control the terms and size of their lending overseas.

PAPUA NEW GUINEA'S FIRST PLAN

Focus on villages

BY COLLEEN RYAN IN PORT MORESBY

PAPUA New Guinea, in its first attempt at formal long-term planning since independence, has chosen to concentrate on rural development in keeping with its ideal of development from the village level, retaining the traditional communal base. The three-year National Development Plan, to begin in 1978, is based on the assumption that self-employment is the only way that most of the workforce will be able to earn a living.

With one of the highest rates of population growth in the world (currently 3 per cent.), the Government will give highest priority to maintenance of subsistence production through the up 80 per cent. of Government spending, but still far too heavy reliance on technology suitable for village conditions and will direct the education system to providing skills appropriate to life in a rural community.

Business advisory centres will be set up in small centres and those related to rural industry, improvements to transport, particularly shipping, will be a key part of the programme. Establishment of 18 provincial government will help decentralise the administration. Prime Minister Michael Somare, in a statement before independence, said: "The social ideal which I and many of my countrymen have, differs dramatically from the actuality of urbanised societies. I start from the premise that the foreseeable future of Papua New Guinea should remain primarily a rural country. About nine of every ten people live in villages and there is no landless class in Papua New Guinea."

"I think the village should remain the most important community unit."

However, the structure of the economy may hamper the Government as it tries to realise these ideals. It depends on Australian aid for 40 per cent. of its annual revenue, while 20 per cent. of total domestic revenue comes from taxation royalties and dividends from the Bougainville Copper project.

Moreover, the country is burdened by the Australian legacy of a heavy bureaucratic structure, lightened a little since 1969 when administrative costs took

in areas where it can substitute for imports.

How successful it is in achieving these goals will depend on making the incentives attractive to both foreign and local capital. It is by no means clear in detail what is meant by the state holding a sizeable equity stake in mining, petroleum, timber or agro-business projects.

However, after the stormy negotiations in 1974 with Rio Tinto Zinc over the Bougainville copper project, it is a promising sign of a new pragmatism that the Government recently reached agreement with seven oil companies, including Exxon, which will give it 60-80 per cent. of revenues from any future commercial oil discoveries.

The agreement with Exxon and with Broken Hill Proprietary embodies the concept of an additional profits tax, which is standard practice in natural resource agreements and is intended, to quote the Prime Minister, to ensure that the large share of the profits in excess of a reasonable return shall accrue to the people of PNG.

In the case of Oke Tedi it will come into force after 20 per cent. return on capital has been reached and be applied, on the basis of current tax rates, at 33 per cent.

Economic guidelines laid down before the latest strategy was announced, such as the Eight Point Improvement Programme on self-government set out by Mr. Somare in 1972, emphasised rural development, decentralisation, equal distribution of benefits, and self-reliance. But a relative lack of development in rural areas in recent years has been aggravated by mounting inequalities and population pressures. The disparity between rural and urban wages has widened dramatically, causing a population drift to urban centres with insufficient employment opportunities for the influx.

It remains to be seen whether the villages can remain sufficiently attractive to retain the population; whether subsistence production can be maintained in the cash crop areas, whether population growth can be checked and whether the resource projects can replace foreign aid in the budget, so that Papua New Guinea can become economically self-reliant.



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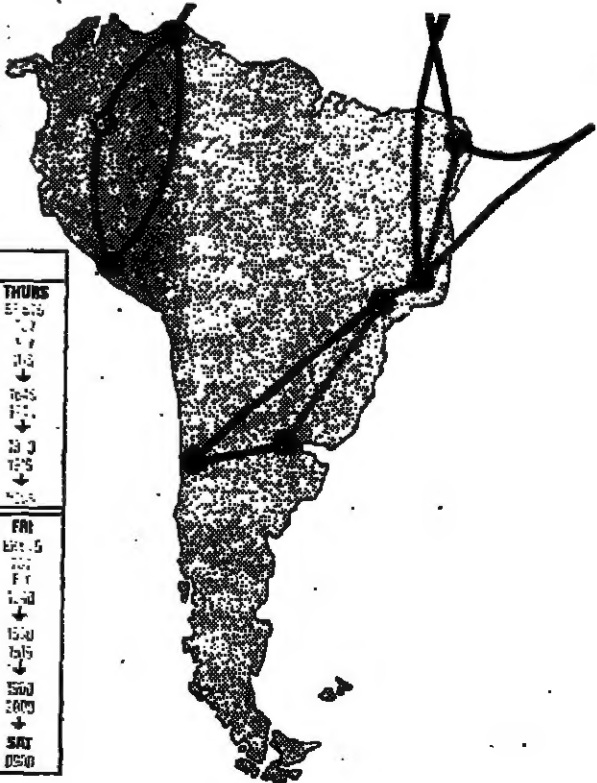
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HOME NEWS

Commission rejects gambling levy to aid sport

BY MICHAEL THOMPSON-NOEL

FURTHER AID for sport from gambling revenues has been turned down at least for the time being, by the Royal Commission on Gambling. Its interim report, published yesterday, rejects the idea of a general levy on gambling, or a tax on football pools prize winners, to boost sport.

But the Commission said that it would return to these and similar themes in its final report, expected late next year.

The Commission, headed by Lord Rothschild, was set up in February to review the gambling industry.

Yesterday's report concentrated on the football pools as a source of raising extra money for sport, and temporarily excluded the possibility of lotteries. It rejected the idea of a special levy on the Pools Promoters' Association and said that investigation "did not disclose any evidence of inefficiency or extravagance in the running of the business, nor suggest that profits were exceptionally high."

Opposed

The report implies that the financial management of Football League clubs is not what it should be, and Lord Rothschild said later that the finances of most clubs were probably not as precarious as usually thought. The Commission said it would be difficult to justify applying the proceeds of a pools levy to anything other than football, and said that the PPA was finally opposed to a levy.

"They regard their payment of £2m. a year to the Football League and the £800,000 to the Football Grounds Improvement Trust as their voluntary contribution to sport."

"It may be that they would be willing to make further, relatively small, contributions. This is a matter which we hope to explore further."

A recent Gallup Poll had

Special sports issue of stamps

SPORTS which originated in Britain are the subjects of four special stamps which will be issued by the Post Office on January 12.

The stamps will show lawn tennis, table tennis, squash and badminton.

BP subsidiary to spend £145m. on new cracker

BY RHYS DAVID, CHEMICALS CORRESPONDENT

BRITISH Petroleum's Dutch subsidiary, Raffinaderij Nederland, will spend £145m. (\$145m.) on a new catalytic cracker for oil refining at its Europoort refinery, in Rotterdam.

The plant, which is due for completion in the fourth quarter of 1979, will have a capacity of 40,000 barrels a day but is not intended to increase overall capacity at the refinery.

The cracker will enable BP to offer a different product mix from the refinery, concentrating more on products for which demand is expected to grow most strongly.

At present Europe's oil refineries are running at about 70 per cent. capacity, largely as a result of greatly reduced demand for heavy fuel oils

used by industry and for power generation. Demand for heavy fuel oil has been heavily cut as a result of lower levels of industrial production and efforts to reduce consumption since the oil crisis.

The new cracker will enable BP to increase its output of lighter products, including motor spirit, where continued growth in demand is expected throughout the 1980s.

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Roger Clark wins RAC Rally

BY JOHN GRIFFITH

BRITAIN'S Roger Clark last night won the Lombard RAC Rally in his works Ford Escort RS1800 after a dramatic final day.

The front-runner for most of the 1,800-mile round Britain tour, Pentti Airikkala of Finland, broke his clutch only three stages from the finish.

But even if he had finished, Airikkala's chances of winning were almost nil. After engine trouble on Monday, an all-night sitting of rally officials declared him one minute past maximum

lateness when arriving at Weston-super-Mare. He was allowed to continue while his protest was being considered.

Clark led into Bath a field of only 78 out of 200 starters after the crews had experienced some of the worst weather in recent years.

There were two night of gales, driving rain and snow, decimating the entries as competitors battled through 370 miles of

forest and mountain terrain in England and Wales.

Clark's victory provides an unprecedented fifth win in a row for Ford. Clark won in 1972, but for the next three years the event was dominated by the "Flying Finn" Timo Makinen.

Makinen's own bid for a record four successive wins, on his last drive for Ford in an association lasting nearly a decade, was cut short by a 100-mile-an-hour roll on only the second of the Rally's 76 special stages.

The works Saab of Stig Blomqvist, the experienced Swede, was second, four minutes behind, and the Escort RS1800 of Egon Weidagard, another Swede, third.

With Irishman Billy Coleman in yet another, very badly battered Escort in fifth place, Ford has beaten off major challengers by top teams from Fiat, Saab and Opel.

The lone, wedge-shaped Lancia Stratos of Sandro Munari—Lancia has already won the Manufacturers' World Championship—was fourth, 54 seconds behind Weidagard.

Leyland officials were delighted that the surviving Triumph TR7 of team captain Brian Culcheth, which had been running all day with only three of its five gears working, finished in second place overall.

Culcheth's team-mate, Tony Pond, who at one stage had surprised the entire rally by forcing his red, white and blue sports car into second place, had to retire with suspension problems deep in Wales.

But Pond said yesterday that considering the TR7 was still in its early stages of rally development, its potential for next season was great.

"Before we set out we said we wanted the TR7 to cause a stir in the forests," he said, "and that is what we have achieved."

Government 'muscle' needed to halt race discrimination

BY DONALD MACLEAN

A NEW call for the Government to use the way it allocates contracts to fight racial discrimination was made yesterday by Sir Geoffrey Wilson, chairman of the Race Relations Board, in presenting the Board's winding-up report for the 18 months to the end of June.

There was, he claimed, an attack on Government policy, "little will to take positive action to eradicate racial discrimination, although the vast majority of people regarded it as morally and socially repugnant."

People in a position to discriminate were unlikely to take action unless the consequences of inaction were seen to be more troublesome.

"I would hope that politicians, both national and local, employers, trade unions and advisers with influence on situations in which discrimination can occur, can be a great deal braver than they have been hitherto in taking positive steps to end it."

Parliamentary responsibility for Government, which itself recognised this, "at any rate in theory," having said last year that a wide range of administrative and voluntary measures was needed to give practical effect to objectives ranging from £8 to £130.

Report of the Race Relations Board, January 1975-June 1976, Commons Paper 3, S.O. 2140

Water charges Bill proposes levy

BY STUART ALEXANDER

WATER CHARGES for businesses agreed by the water authorities, mainly house-holders, will vary less as a result of the Water Charges Equalisation Bill published yesterday, but it is not yet known whether payments will be made at a lump sum or in instalments.

As a percentage of the total budget the sums are expected to be small and they will not be set by metered users. The Welsh National Water Council, which will be required to pay a levy, could benefit by as much as £2.7m.

This would reduce the average bill in the Welsh authorities to just over 13.5 per cent, a less than it would normally have been.

The charge for unmeasured users may be higher after the cost of capital works, plus the additional expenditure resulting from the drought in 1974.

The bill, introduced in the House of Commons on April 1, 1976, is designed to clear the residual financial knot. It will also give the Minister responsible the opportunity to make a decision on the basis of equalisation.

Mr. Denis Howell, the present Minister, is expected to make a statement on the formula which has to go through the House first.

Textile industry forms information system

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE JOINT Textile Committee of the National Economic Development Office intends to set up an information system to enable textile makers to improve their planning and their response to market conditions.

The scheme, due to come into operation early next year, will be set up with the help of the Confederation of British Industry. It is hoped to overcome the ignorance of many manufacturers of what is happening in other parts of the industry.

It is expected that the industry's ability to react to changes, and hence its economic performance, will be increased.

Textiles has a particularly long pipeline with at least four processing stages, from raw fibres and retail consumption, covering a timespan of as much as 18 months.

Fluctuations in demand, a variety of Government and industry statistics are available to textile manufacturers, they tend to relate to individual sectors and have some limitations in their coverage, particularly in relation to stocks.

The National Economic Development Office, pointed out, fluctuations in demand at consumer level tended to be magnified at each successive phase of production because of destocking, so that it was particularly important that producers should know and understand trends in the marketplace.

"Since many firms are unaware of what is happening at levels other than their own they continue to produce and build up stocks after a downturn has set in."

"They are then forced severely to cut back production and to release labour. When there is an upturn in demand many firms find it difficult to recruit labour they need and output rises more slowly than demand."

"This is a factor contributing to the import problem and a major reason for the decline of the textile industry," it said in a report outlining its proposals.

With better information businesses could overcome the problem of reacting too late and too sharply and could accelerate or slow down in advance of events.

"If managers had access to information on the level of downstream activity, retail sales,

act on this message with greater clarity and determination. Neither the Board nor the Parliamentary Select Committee on Race Relations and Immigration, to judge by its reports, could detect much sign that these principles had had any marked effect on policies pursued by Government departments."

If the Government really wants to see results, it must use the muscles, as well as passing laws and setting up commissions," Government proposals relating to Government contractors fell far short of what the Board had suggested.

The Board, which is to be succeeded by a new Commission for Racial Equality, reports that over the 18 months, it received a record number of 1,687 complaints of discrimination, and began 131 investigations.

Parliamentary responsibility for Government, which itself recognised this, "at any rate in theory," having said last year that a wide range of administrative and voluntary measures was needed to give practical effect to objectives ranging from £8 to £130.

Report of the Race Relations Board, January 1975-June 1976, Commons Paper 3, S.O. 2140

'Union' plan by State Board chiefs

BY ROY HODSON

MOST of the 120 Board members of the State Industries, who between 210,000 and 2,000 year, are expected to meet in London next 2 to form something resembling a trade union to press their claims.

The Board members are at their pay freeze, which lasted for four years in nationalised industries, have been encouraged by action of the Cable and Wireless directors who threatened to resign over their pay.

The members plan a national organisation with a first step of opening talks with Government on behalf of State Board members.

At two private meetings in London, each attended by 60 Board members, they discussed the title, Association of State Board Members.

Discussions have been with the exclusive club of their Chairmen, the N. A. S. Industries. Chairman Group. This is recognised by Government and has a full director, Mr. James Driscoll works from the British Corporation Headquarters.

Rises refused. Some State industry chairmen understood to be co-wards the proposed association of their Board members, the promoters claim that majority are sympathetic to them.

Initiative came from North-West England. Mr. Dadd, chairman of Mersey and North Wales Area Electricity Board, and Mr. Dennis, chairman of the North-West Electricity Board, are respectively secretary and acting secretary of the association.

is a member of the Elect Council on a £10,000 salary. Had the 1975 recommendations of the Review Body on Salaries chaired by Lord have included the 10 per cent rise of £4,000. The Government will allow the Board recommendations.

State Board members have the association have been asked to make a survey of their own pay and conditions, and to report on the results.

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TOPS people are trained for industry

and they know you don't owe them a living.

That's why they have taken time and trouble to add to their value.

To do a Training Opportunities Scheme (TOPS) course that gives them the skills that are needed by industry. They had the sense to realise it was no use sitting around waiting for things to improve.

Because without skills they were at best always going to be insecure. At worst laid off—unemployed.

They used their initiative.

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from scratch. In others, simply refreshing or bringing up to date an existing skill.

Now they are valuable. Trained to a very high standard. Lacking only long-term practice. Capable of earning their living in a highly competitive field.

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TOPS trains people in over 500 skills. In many cases their training programme can be specifically

adjusted to meet a particular company's requirements. Which makes them very interesting.

Contact any Employment Service Agency, Jobcentre or Employment Office, to find out more about recruiting TOPS trained people.

TOPS people trained for industry.



Manpower Services Commission Training Services Agency

Let him know he's not alone

Today, there are nearly half a million disabled ex-servicemen. We help as many of them as we can through the Army Benevolent Fund.

Why then should we ask for your support for the active servicemen, like this soldier?

The answer is simple. The preservation of peace all too often demands total sacrifice. Young families are deprived of support or their breadwinner finds himself unemployed when they need him most.

The Army Benevolent Fund helps as much as it can. But it can never be enough. Each day and night our soldiers are guarding our security. Please help us to help them and their families when the need arises.

The Army Benevolent Fund

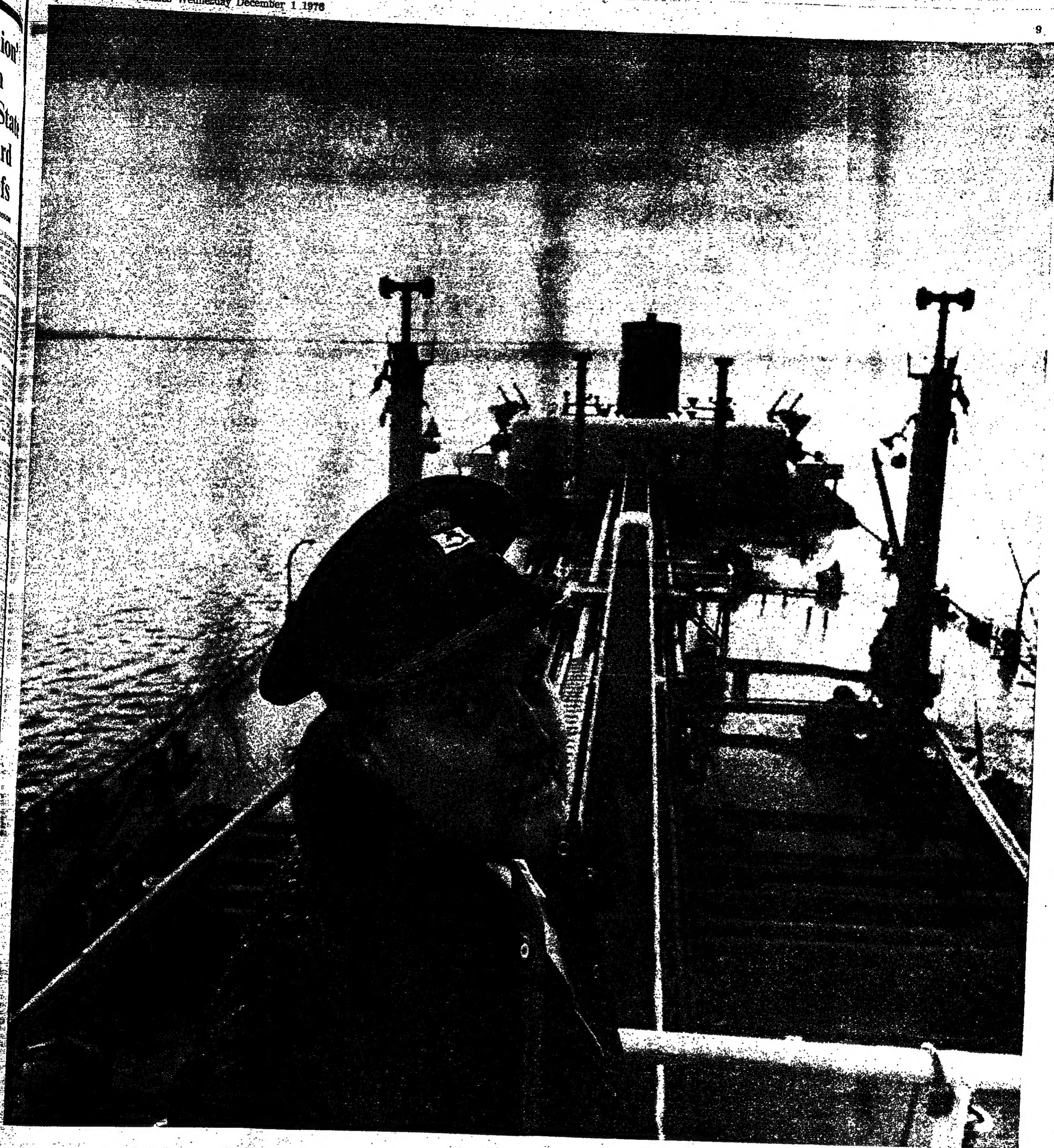
For soldiers, ex-soldiers and their families in distress. Dept. FT, Duke of York's HQ, London SW3 4SP

le 'Union'
plan
by State
Board
chiefs

BY ROY HODSON

REVENUE FUND

FORMS
m



Photograph, Gus Wyllie

David Anderson: "at home" in the North Sea.

For most people, the North Sea is not the most inviting stretch of water in the world. But Captain Anderson grew up in the Shetland Islands. It's home to him. So is a tanker like the one you see him on here.

David Anderson has been on tankers since the end of the second World War. He's served as a Mobil master for more than 16 years. He has sailed all over the world; but the trips he's making now in his home waters are among the most important of his long seagoing career.

The captain's current assignment is to bring North Sea oil from the Beryl A platform, about 100 miles southeast of his own Shetland Islands, to British ports. These shipments from Beryl A began this autumn. When all the wells have been drilled and everything is humming along at peak rates, Captain Anderson's tankers will be delivering about 5% of Britain's oil needs. That's a sizeable amount. And together with all the other oil coming in from North Sea fields, it represents a very

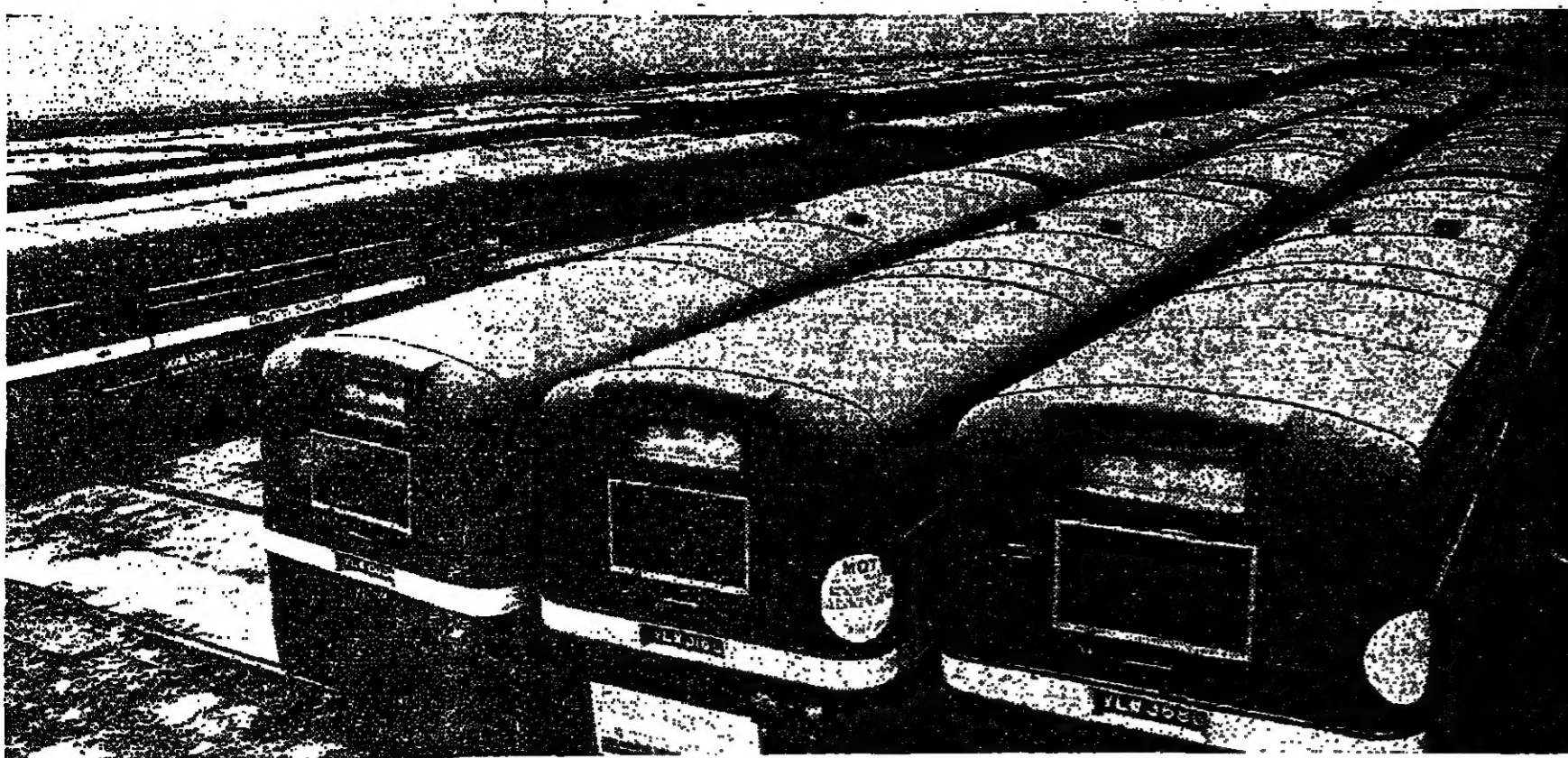
promising start on petroleum self-sufficiency for this country.

Some of the oil will come in by pipeline, but a good share will be carried on tankers like Captain Anderson's.

Whichever way it arrives, it will be welcome, we know. We're happy to play a part in North Sea production, and glad we have skilled professionals like David Anderson to bring the oil home.

Mobil

HOME NEWS



Loomart-Bart

Tennis prize money goes up

By John Barrett

THE HAPPIEST PEOPLE at next year's Wimbledon will be the players. The All-England Club is to add £30,000 prize money to the 1977 Championships, making a total of £218,355. Less happy will be the customer at the turnstiles, who will find ticket prices about 10 per cent dearer.

Sir Brian Burnett, chairman of the All-England Club and of the joint championship committee, said in London yesterday that women would still average 80 per cent of the men's prizes — as they did last year.

With the approval of the Women's Tennis Association, whose threat to boycott next year's meeting has evaporated, the differential has been narrowed at the top and widened at the bottom.

Thus the lady champion's £13,500 will be 90 per cent of the £15,000 men's prize, and the £150 to be given the women who lose in the first round three-quarters of the men's £200.

Extra funds

The 125 men will divide £118,850 next year, against £57,650 last time, and the 88 women £57,490.

Next year's prize money increases will be met from the extra funds created by selling the concessionary rights to the companies supplying goods and services to the championships. After two years, the fund is already providing a healthy six-figure sum annually.

The extra spending associated with the centenary celebrations will be met by a 10 per cent increase in ticket prices.

A centre court seat next year will cost £4.50 against £4.40 this year, and a No. 1 court seat £2.50 (£2.70). A daily ground ticket will remain £1.50 after a 5 p.m. probably the best bargain of any major sporting occasion.

The customers will notice several improvements on the ground. Besides a complete re-plant and refurbishing of the stadium, the size of the public lawn will be doubled by extending into Atrium Park, the neighbouring ground which the New Zealanders rent from the All-England Club.

Solvents up

Even Chemical has increased the prices of all its grades of Aminalite solvents by an annual 10 per cent. The increases, depending on grade of solvent, range from 5 per cent to 10 per cent.

The company blames the increases on the continued rise in costs in recent months.

Homes setback underlines fears for next year

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE HOUSE BUILDING programme suffered its worst setback for more than 18 months in October. Work on houses for both the public and private sectors fell dramatically and helped to confirm the industry's fears that next year could be one of the worst on record.

Provisional estimates prepared by the Department of the Environment suggest that work started on fewer houses in October than in any month since March 1975. Completions, though not quite so disappointing, also fell.

House builders have been saying for months that the continuing recession in the housing sector seems set to grow even worse as mortgage funds become more restricted and public expenditure cuts reduce the local authority house building programme.

According to the housing sector the number of private houses on which work will start next year could fall to about 120,000 or less from an estimated 180,000 this year. Council housing starts this year should reach about 170,000. The total will certainly be lower next year.

This year the number of private houses completed is likely to be about 150,000, a near repeat of last year. Council house completions this year are

expected to be 185,000, slightly higher than last year.

According to the preliminary figures from the Department of the Environment a start was made on only 11,500 council houses in October against 13,500 in September.

The picture was even less encouraging in the private sector, where work started on 10,000 houses, against 15,200 in September. This was the lowest monthly total since March last year when 9,700 private houses were started. A total of 13,500 council houses were completed in October, compared with 16,100 in September. Private house completions fell from 14,500 in September to 12,000.

Renovation

The department calculates that taking three months totals to reduce the effect of monthly fluctuations, total housing starts in the August-October period were 11 per cent down on the preceding quarter and also 11 per cent lower than a year earlier.

Total completions, however, were 2 per cent higher than in the previous three months but 2 per cent lower than in the same period last year.

In the three months ending in October, house renovation grants for 32,400 homes were

approved in England and Wales compared with 33,400 in the same period 12 months earlier. Other figures released yesterday by the department showed that brick production in Great Britain fell to 473m in October from 494m in September. Output in October last year was 485m.

October deliveries totalled 453m against 504m in September and 536m a year earlier. Brick stocks at the end of October were 432m, an increase of 24m from September.

Cement deliveries in October in the U.K. averaged 289,000 tonnes a week against 305,000 in September. Production fell from 314,000 to 309,000 tonnes.

Michael Dixon, Education Correspondent writes: The safety record of the construction industry was criticised by Mr. John Golding, Parliamentary Under-Secretary for Employment, yesterday during a visit to the Construction Industry Training Board's centre at Bircham Newton, Norfolk.

He said that he was shocked to learn that deaths had increased by 20 last year to 181, and reported accidents by 3,000 to 35,000. This alone justified the emphasis which the Board's training programmes placed on safety requirements.

The council's record of student demand up to November 15 showed a significant gain in the popularity of bachelor-level university courses in mechanical engineering, business management, accountancy, agriculture and forestry.

There has been a corresponding increase in the popularity of undergraduate courses in geography, psychology, sociology and history. The demand for other subjects is much in line with that of last year.

It was also announced yesterday that student enrolments in the polytechnics for the present year were generally about 11 per cent higher than last year. The increase was much the same both for science-side and arts-side courses.

When part-time and short courses are included, the total student population of the polytechnics in England and Wales is estimated to be about 230,000, compared with roughly 217,000 in 1975-76.

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These 200 London Transport buses in storage at Radlett aerodrome, near St. Albans, are looking for an overseas buyer.

Bought in the late 1960s, they have been retired after only eight years' service because they were unreliable and at 36 feet, too long for many London routes.

London Transport has already found buyers for 100 of the AEC Merlin MB buses and scrapped another 100. It defends the purchase at what proved to be a fleet of red elephants on the grounds that when one-man bus operation first became feasible, the Merlins were the only suitable single-deck vehicle that could be supplied in sufficient numbers.

The Government at that time would not allow double-deckers to be used on one-man routes.

Changes urged in Army methods

By Michael Donne, Defence Correspondent

A REVIEW was recommended yesterday of the Army's methods of arranging soldiers' tours of duty with the aim of reducing the amount of upheaval which troops and their families have to bear each time a posting comes around.

The recommendation is in the report of the Army Welfare Inquiry Committee, set up by the Government under the chairmanship of Professor J. C. Spencer, to study ways of easing the social and domestic difficulties of soldiers arising from the existing methods of running the Army.

The report, which has 72 recommendations, suggests that an average posting of three years' duration would reduce much of the upheaval in a soldier's life.

Report of the Army Welfare Inquiry Committee, 1976: S.O. 22.60.

Full health cover for Spain trips

By Eric Short

BRITISH TOURISTS to Spain will be able to take out complete medical and travel insurance under a contract, Insa-Spain, developed by Trafalgar Insurance Company, a member of the Cornhill Insurance Group, and ASTES, a consortium of nearly 100 Spanish insurers sponsored by the Spanish Government.

The policy provides the usual standard travel insurance benefits such as loss or damage to luggage, loss or theft of currency and cancellation of holiday. It covers unlimited medical aid, regardless of financial limit and age, while in Spain. This is available from any Spanish doctor, hospital or sanatorium.

Payment for medical treatment is by vouchers issued by the consortium and included in the travel insurance document.

They are acceptable by almost all doctors and medical establishments in Spain, but if the holidaymaker cannot get them accepted as payment, he can claim a refund from the nearest ASTES branch. These are in the provincial capitals.

Electricity goes up on Jan. 1

By Roy Hodson

ELECTRICITY PRICES will rise by an average of just under 1 per cent on January 1.

Daytime electricity goes up to 2.25p a unit and night electricity rates by 1.75 per cent, above present levels.

The increases result from the usual quarterly fuel cost adjustment by the electricity industry, formally approved by the Price Commission.

The Electricity Council said earlier this year that fuel adjustments amounting to retail price rises for electricity of approximately 2 per cent were to be expected in 1976-77. A 1 per cent increase was made in this quarter.

LABOUR NEWS

Union proposes takeover of phone manufacturers

BY CHRISTIAN TYLER, LABOUR STAFF

STATE CONTROL of the British telecommunications manufacturing industry through the National Enterprise Board is proposed to-day by the Association of Scientific, Technical and Managerial Staffs.

ASTMS, with 20,000 members in the industry, says the telecommunications divisions of the main U.K. manufacturers should be put together to form a State-controlled company which it would call British Telecommunications.

A policy document being sent to Ministers, MPs and manufacturers suggests that the Post Office's monopoly in telecommunications ordering has stifled innovation and development, among the main manufacturers, GEC, Plessey and Standard Telephones and Cables, the British subsidiary of the U.S. multinational ITT.

A State interest, according to ASTMS, should stimulate development of electronic telephone exchange systems and research and development in the industry as a big exporter. The document accuses the Post Office of erratic ordering and a dilatory attitude to its System X electronic switching programme.

The background to the ASTMS proposal is that a cut in Post Office equipment ordering could mean the loss of 15,000 jobs by the end of 1978 on top of declared redundancies of 10,000 since last autumn.

The unions say that two-thirds of the 75,000 jobs in the industry could be maintained if its policy is adopted. But it says more must be done soon if Britain is not to lag behind in telecommunications technology and in particular to compete with the Swedish AXE and U.S. Meta-

switching systems. British manufacturers had in the past made "healthy profits" as contractors to the Post Office. Now the picture was much less bright.

Introducing the document yesterday, Mr. Doug Hoyle, ASTMS vice-president and Labour MP for Nelson and Colne, said the manufacturers which now he proposed to consider his union's proposal.

He said it would be wrong to allow the Post Office to move into manufacturing and installation itself. The State company would ensure some "creative tension" in the industry to enable Britain to deliver complete export packages. Apart from the immediate threat to jobs in the private telecommunications technology sector, ASTMS is clearly anxious and in particular to compete with the Swedish AXE and U.S. Meta-

Civil Service leaders outline industrial democracy plans

BY OUR LABOUR STAFF

LEADERS of the main Civil Service unions yesterday put the finishing touches to their draft plans for industrial democracy in their service through the existing Whitley Council negotiating machinery.

But their draft proposals have already been privately criticised by some union officials for not going far enough to achieve industrial democracy.

The national executive of the Institution of Professional Civil Servants, representing senior grades, is among the first of the union executives to consider the proposals.

Although the 26-strong executive endorsed the draft, it was only after Mr. Bill McCall, IPCS general secretary and one of the

architects of the draft, persuaded his colleagues on the need for a gradualist approach towards industrial democracy.

The draft, prepared jointly by union general secretaries, urges refinements in the existing Whitley Council machinery to end minor abuses such as local management over-riding national agreed procedures.

But it also calls for some experiment in giving the unions a greater say on the management of Government departments.

It is a more positive commitment to representation on three management Boards which some union officials are seeking.

The Civil and Public Services Association, the largest of those unions, is to consider the draft action

later this month and is expected to endorse the proposals as their ideas are similar to the CPSA's. Other union executives are to debate the proposals later this month, and in early January before the final draft is submitted to the Treasury Inquiry into public sector industrial democracy.

CPSA officials in the Department of Employment met yesterday to consider the terms of a working party set up to review their concern over manpower cuts which has led to a ban on statistical work.

The union has already agreed to join the working party but wants certain points clarified by the Department before it decides whether to call off its industrial

Union vote complaint rejected

By Our Labour Staff

MEMBERS of the Amalgamated Union of Engineering Workers executive yesterday rejected complaints by Mr. Jimmy Reid that the conduct of an election in which he was defeated by 81 votes.

The executive yesterday considered a letter from solicitors acting for Mr. Reid, whose narrow defeat by Mr. Thomas Douglas in a election for Scotland last month, Mr. Reid has claimed that some members did not receive ballot papers, while other non-members did.

However, the executive decided to take no action on the complaint. Mr. Len Edmondson, residing in the absence of Mr. Hugh Scanlon, said no complaints about the conduct of the ballot had been received during the time allocated under rule.

The man with the majority of votes was declared elected and we have received no evidence to interfere with that in any way whatsoever.

Ship repair company seeks redundancies

By Roy Rogers and John Wiles

BRISTOL CHANNEL Ship Repairs, the Government's leading antagonist in the ship-repairing, nationalisation battle, is suffering a severe shortage of work as a result of its main dry dock being largely empty because of an industrial dispute.

The company is calling for voluntary redundancies among the 100 workers at its Swansea dry dock because of a clash which it claims has cost around £1m of business.

Bristol Channel has been severely hampered by the dispute since its case against nationalisation has rested partly on the threat to its good industrial relations record.

Earlier this year, the company captured a major oil firm contract for repair and maintenance of four vessels. This would have guaranteed work at its Swansea yard until next March but, according to

Mr. John Sorveto, Bristol Channel's managing director, the contract has been lost because of the dispute which applied completion of work to 34 days.

Details of the dispute are obscure but it is believed that up to 150 men working a night shift on the vessel left work 15 hours early. They were issued with written warnings which met objections from a group of men who demanded that the management soften the wording. When this was refused a ban was imposed on overtime which seriously delayed completion of work on the ship.

According to the company, the Swansea yard does not have any work scheduled or in prospect. Confederation of Shipbuilding and Engineering Union local officials are to meet management next week to discuss early retirement measures and lay-off pay.

Jobless young strain budget for education

By Michael Dixon, Education Correspondent

THE STATE education budget is having to support an unexpected increase of about 50,000 teenagers staying on at schools and colleges because of the shortage of jobs, Mrs. Shirley Williams, Secretary for Education and Science, told a TUC deputation in London yesterday.

The increase was one of the reasons why the Government could not meet the TUC's call for extra educational expenditure on maintenance grants for sixth-formers from poor homes and courses for adults.

The deputation said the TUC was awaiting the response of the university vice-chancellors' committee to proposals for admitting more adults to degree courses, especially in science and technology.

Rubery Owen peace move by union leaders

BY OUR LABOUR STAFF

SENIOR union officials there today launched a peace initiative yesterday to break the unofficial strike by 150 maintenance engineers at Rubery Owen, the West Midlands component supplier. The strike claim, which is outside the pay policy, Union officials will make another attempt to end the strike on Friday when their next meeting is due.

At Ford's Dagenham body plant, 150 toolroom workers struck after suspension of a colleague for bad timekeeping. The strikers claim that the management's refusal to pay overtime is the cause of late-

ness. At C.E. Marshall, Wolverhampton, 400 motor accessory workers were on strike claiming that the management were passing work to "wives and friends."

Unity bid on power generating

BY MAX WILKINSON, INDUSTRIAL STAFF

LEADERS of unions representing 64,000 workers in the heavy power generating industry are meeting in London to-day to try to resolve differences in their appeal for Government aid.

The meeting follows marked disagreements between joint union committees in different companies, particularly on whether the Government should order a £500m. coal-fired power station at Drax, near Salby, Yorkshire, before it is needed.

The unions at Babcock and Wilcox's Renfrew boiler-making plant insist that the station must be ordered immediately as first aid to prevent the rapid collapse of their industry. They will follow the lead of their management in demanding that the order must be placed without any of the normal delays for tendering and specification.

The Tyneside union delegates, from C. A. Parsons, turbine generator makers, and Clarke Chapman, boiler-makers, will

support this demand. But the GEC delegates will put more emphasis on increasing maintenance contracts and order advanced prototypes for larger turbines. A spokesman for the company's trade union committee said: "Out of £500m. for a new power station only £150m. would be spent in this industry. Most of the rest would go on bricks and mortar and site works."

Flexible

"We feel the money would be better spent on refurbishing the existing coal-fired power stations. But the unions from the other companies know what is necessary to safeguard their jobs. We are prepared to be flexible in trying to reach an agreed policy."

The unions are likely to be united in opposing a merger of turbine generator companies under Sir Arnold Weinstock, the head of GEC. They fear that any

such merger would lead to loss of jobs. Instead they will press for nationalisation of the industry or a rationalisation with heavy involvement by the National Enterprise Board.

The GEC unions are likely to be in some conflict with the others over the future of Britain's nuclear programme. They want the Government to scrap the Steam Generating Heavy Water Reactor (SGHWR) programme, immediately order an American Pressurised Water Reactor to be built under licence.

The other union delegates, particularly from the north-east, want the Government to place greater emphasis on coal. All unions will be united in demanding a steady forward ordering programme by the Central Electricity Generating Board of about 2,000 MW a year. They want the Government to work out a coherent energy policy for the next ten years.

Scientific intolerance 'in the U.K.'

BY DAVID FISHLICK, SCIENCE EDITOR

A WARNING that even Britain was not free from intolerance towards scientists who presented results at variance with politically preconceived notions was given by Lord Todd, President of the Royal Society, in his annual address in London last night.

Lord Todd was responding to those who had urged that the Royal Society should publicly associate itself with protests to Governments accused of persecuting individual scientists.

The temptation to support and control science in the interest of national political aims had grown apace. Tolerance and freedom from persecution could no longer be taken for granted.

Lord Todd, speaking on freedom in science, condemned the decision of Unesco to withhold financial support from any scientific meeting which allowed participation by scientists whose governments were unpopular with the majority of its member states.

"Here is something which is in my view totally contrary to the spirit of the United Nations and is a threat to the freedom of science which should be resisted by every scientist, whatever his nationality."

Such "flagrant examples of intolerance" as the promotion in Russia of the ideas of Lysenko for political reasons, and the concomitant suppression of work on genetics, might be rare. But persecution of scientists on political or racial grounds had occurred in recent times in the U.S. during the McCarthy investigations, in the USSR, South America and Nazi Germany. "Nor would we think that we in Britain are free from such intolerance."

In what was clearly a reference to Prof. Hans Eysenck, Lord Todd said that demonstrations in London had recently prevented a well-known scientist from presenting and discussing his results simply because they believed that he might reach conclusions at variance with their politically preconceived ideas.

Many people, especially the young, felt disappointed, frustrated and let down by the society in which they lived, and many cast science in the role of scapegoat. This was not just wrong.

It was dangerous if it led—as it had done—in a swing away from science by young people

entering higher education in many advanced countries. Standards of living could not be maintained except through science, through the application of the scientific method and the results of scientific research to practical ends or, if you will, through technology and technological innovation. This was true of environmental as of industrial problems.

"The real reason for most of our troubles lies not in science but in our social and political ineptitude when it comes to realising the potential of the advances which science has made and continues to make."

As a result, we lived in a turbulent and unhappy world, with deep divisions between nations, which had inevitably led to increasing secrecy and mutual suspicion.

Secrecy had always been the enemy of scientific progress but it was "manifestly absurd in the imperfect world in which we live to appeal for the total abolition of secrecy and for the free and untrammelled circulation of all new knowledge."

One could hardly envisage abandoning self-censorship in defence research, or the free publication

of all results obtained in the search for new drugs. "The existence of patents, of course, underlines the general acceptance of at least temporary rights of a proprietary nature in the results of research."

Lord Todd distinguished between two kinds of activity usually lumped together under the heading of research. What was usually called "pure" research was typically concerned with advances in an understanding of the natural world.

As a general rule it was not undertaken in pursuit of any specific economic objective, and was characterised by a high creative content. Here, secrecy should at all costs be avoided.

But the case was rather different for applied research or research undertaken to solve particular problems, usually of an economic or military nature with a view to technological innovation.

Its most characteristic feature was ingenuity rather than creativity. A measure of secrecy was usually inevitable, but need not be unduly damaging provided pure science was kept free from

pure science was kept free from

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Definitive draft plans published

AFTER ALMOST 30 years of debate, the accountancy profession today publishes draft definitive proposals on accounting for inflation. The proposals, in a document known as Exposure Draft 18, or ED 18, have been prepared by a steering group chaired by Mr. Douglas Morpeth and are essentially based on the report of the official Sandilands Committee of Inquiry, published in September, 1975.

The Government announced yesterday that it is supporting the implementation of the new system.

Comments on the proposals must be made to the Accounting Standards Committee by May 30, 1977. A definitive statement of standard accounting practice is expected to be published on January 31, 1978, for implementation in company accounts in four stages, starting with the largest organisations, for accounting periods beginning after July 1, 1978.

ED 18 is a compromise between the Sandilands recommendations and the accountancy profession's earlier preference for the current purchasing power method of accounting for inflation. ED 18 is put forward as a first step only in the development of a system of current cost accounting and further refinements are expected over the next five years.

Steering group's brief guide

Object of this Guide
The object of this Guide is to provide businessmen and others with a brief, quickly readable guide to the main points in the Exposure Draft on Current Cost Accounting (CCA), to which reference should be made for details.

Need for CCA
The continuing and high rate of inflation in the U.K. has rendered accounts prepared on the basis of historical cost less and less capable of conveying a true and fair view of a company's current financial position. This has so reduced the usefulness of such accounts to management, investors, employees and others that a major change in accounting practice has become necessary.

Historical cost accounts have always suffered from the failure to show the impact of changing price levels, but in recent years the rate of inflation has made it essential to remedy this defect. The nature of the necessary change has been debated within the accountancy profession for many years and a number of solutions have been put forward. However, the recommendations in the Sandilands Committee's report for the introduction of a system of CCA were broadly accepted by the Government and the Consultative Committee of Accountancy Bodies last year, and the Exposure Draft is based on these recommendations.

Management's Needs
Management needs up-to-date information on true costs and values for the running of a business. The system of current cost accounting described in the Exposure Draft will help to provide such information in the management accounts of companies and in their published annual accounts.

If more realistic information is to be available to management than is provided by historical cost accounts, the change to current cost accounting needs to be made at the management accounting level.

It would not be adequate merely to provide adjustments in a historical cost system once a year in the annual accounts.

New scheme has five major advantages

As long as industry uses historical costs for management accounts, it may unknowingly undercut, with dangerous consequences for the business. It is essential that industry uses more fully its estimates of cost.

(a) Depreciation calculated on plant and machinery—in most cases this will be replacement cost.

(b) The estimated cost at the date of sale of materials consumed.

These CCA conventions should be used at the earliest possible date in compiling all management control figures, including monthly Profit and Loss Accounts, even although industry may not at present be able to reflect fully its current costs in the price it obtains, because of the effects of market forces and of the Price Commission.

STATEMENT OF CHANGE IN SHAREHOLDERS' NET EQUITY INTEREST AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY	
Net equity interest at beginning of year	£000s X
Net equity capital introduced during the year	X
Amount required to compensate for the change in the value of money during year	X
Net equity interest at end of year before dividends on equity capital	X
Gain/(loss) for year after allowing for the change in the value of money	X
Dividends on equity capital for year	X
Gain/(loss) for year after allowing for the change in the value of money and after dividends	X

ANALYSIS OF THE GAIN/(LOSS) ON MONETARY ASSETS AND LIABILITIES AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY	
Long-term liabilities	X
Bank overdrafts	X
Non-equity share capital	X
Other	X
Total gain or loss	X

The allowance for the change in the value of money was made by applying the general index of retail prices, based on January 1974 = 100. At 1.1.77 the index stood at X, and at 31.12.77, X.



Sir William Slimmings, chairman of the Accounting Standards Committee (left), Mr. D. S. Morpeth, chairman of the Inflation Accounting Steering Group and Mr. C. A. Westwick, secretary of the steering group

Part of the problem is a lack of consensus on what is the substance of the business (is it the physical assets, or all the assets, or the long term capital, or the owners' capital, etc?) and whether it should be maintained in money or real terms.

It is considered, however, that the suggested treatment (namely, a statement of the change in the value of the business) is the most appropriate.

X LTD. AND ITS SUBSIDIARIES YEAR ENDED 31st DECEMBER, 1977 CONSOLIDATED PROFIT AND LOSS ACCOUNT	
Turnover	See Note 1
Operating profit/(loss) for the year	£000s X
Interest payable less receivable	X
Share of profits/(losses) of associated companies	X
CURRENT COST PROFIT/(LOSS) BEFORE TAXATION AND BEFORE EXTRAORDINARY ITEMS	X
Taxation	(X)
Minority interest	X
Current cost profit/(loss) before extraordinary items	X
Extraordinary items (net of tax and minority interest)	X
CURRENT COST PROFIT/(LOSS) FOR THE YEAR	X

CONSOLIDATED APPROPRIATION ACCOUNT	
Current cost profit/(loss) for the year	X
Net surplus for year on revaluation of assets	X
Appropriated to revaluation reserve	(X)
Available for distribution and general reserve	X
Dividends	(X)
Added to/(deducted from) general reserve	X

* This transfer is the amount of the net surplus that the directors consider should be retained having regard to the needs of the business: it may exceed or be less than the net surplus. The directors should explain the basis and the reasons for amounts transferred (see paragraph 24).

Exposure Draft containing interim equity interest after allowing for the change in the value of money, and a transfer of an amount decided by the directors to or from the revaluation reserve in an appropriation account) forms a basis for further development when a greater degree of consensus becomes evident.

The Steering Group also proposes to give further consideration to its interim proposals in the areas of liabilities other than deferred tax, goodwill, and other intangible assets.

7. Phased introduction
While the need to find solutions to the problems of accounting for rapidly changing prices is urgent, the Steering Group was conscious of the burden that changing to a new system might put on companies (running the new system, once installed, may not be materially more difficult than running the old, and has, therefore, decided to phase its introduction.

There was a choice between phasing by item in the accounts or by size of company. The Steering Group chose the latter because the former had two major disadvantages:
(a) The most important adjustments which would require to be phased-in first (depreciation and cost of sales) probably involve the greatest part of the work;
(b) The resulting accounts would have been produced on a mixture of conventions and could hardly be described as true or fair.

Another possibility would be to introduce CCA by means of a supplementary statement. This was rejected because such statements would cause confusion as to which figures were considered to be the right ones.

It should be noted that no starting date has been set for the mandatory use of CCA by small companies. It is intended to develop an appropriate method of CCA for such companies in the light of the experience gained during the first years of operating CCA by other companies.

8. Balancing three requirements
It has been necessary in producing this Exposure Draft to balance three requirements:
(a) The need for more useful information;
(b) The need to minimise the extra work required to produce the information; and
(c) The need to minimise the opportunity for misleading manipulation of the figures.

The Steering Group believes that it has got the balance about right, and this view is supported by initial reactions from the companies which have appraised the Steering Group's proposals. Nonetheless, the Group would particularly welcome comments on this point.

9. Auditing
It has been argued that CCA will increase the degree of subjectivity in annual accounts. If this is so, then this is part of the price that has to be paid to make accounts more relevant in a period of rapidly changing costs.

It will be appreciated that historical cost accounting also contains a degree of subjectivity, particularly in the area of depreciation. Moreover, the amount of subjectivity in CCA should not be exaggerated. With the possible exception of the transfers to or from revaluation reserves, the figures in the accounts will normally be backed by evidence on which both management and auditors can base their judgement.

The Steering Group has maintained close liaison with the Auditing Practices Committee throughout the production of the Exposure Draft and has endeavoured to meet as many as possible of the points raised by that committee; nevertheless, audit difficulties under CCA will be greater than under historical cost accounting.

The Auditing Practices Committee proposes to issue a booklet early in 1977 setting out some of the principal problem areas and recommending ways in which they should be approached.

10. The overseas dimension
Many major industrial countries are developing inflation accounting systems. The United Kingdom is among the leaders in this field but is developing systems which will not be unique or incompatible.

The importance of comparability is recognised and it is hoped that further development of CCA will take place in close consultation amongst interested countries, the EEC and the International Accounting Standards Committee.

11. Tax, Prior Control, and the Law
The Steering Group is well aware of the importance of companies attaching importance to CCA by the Inland Revenue and the Price Commission, and is holding discussions with the

THE REPORTS ISSUED TODAY

Exposure Draft ED 18: Current Cost Accounting £1.20
Guidance Manual on Current Cost Accounting £3.25
(£6.25 from Dec. 10)
Background Papers to the Exposure Draft on Current Cost Accounting £3.95

All available from the Institute of Chartered Accountants, Chartered Accountants Hall, P.O. Box 423, Moorgate Place, London EC2P 2B1.
TO BE PUBLISHED EARLY IN 1977
An Audit Guide to Current Cost Accounting.

studying the comments received during the exposure period when preparing proposals for a Statement of Standard Accounting Practice for consideration to the ASB.

It is appreciated that some organisations and companies in certain industries may need to modify the application of the Exposure Draft in order to give a true and fair view of the financial position. The Inflation Accounting Steering Group will give full consideration to reasonable proposals for modification coming from the relevant Trade Associations and similar bodies.

12. Scope of Proposed Standard
It is the intention that the accounting Standard which will be produced from the Exposure Draft should apply in due course to all financial accounts intended to give a true and fair view of financial position and profit or loss but, in order to spread the workload on those concerned in its introduction, it has been decided to divide the introduction into four phases.

Basic principles of the system

14. Contents of Current Cost Annual Accounts
Under CCA, a company's annual accounts will include:
(a) A profit and loss account;
(b) An appropriation account;
(c) A balance sheet;
(d) A statement of the change in the net equity interest after allowing for the change in the value of money, prepared and presented on the basis set out in the Exposure Draft and described briefly below. Companies within the scope of SSAP 10 will also include a Statement of Source and Application of Funds.

15. Basic Principles of Current Cost Accounting
The basic principles of the system are:
(a) The non-monetary assets of the business should be shown in the balance-sheet at their value to the business at the balance-sheet date.
(b) Value to the business will normally be replacement cost but in exceptional circumstances could be the higher of net realisable value and economic value (present discounted value) if both are lower than replacement cost.
(c) Revenue should be charged with the depreciation of fixed assets calculated on their value to the business, and with the cost of stocks consumed valued at their replacement cost at the date of sale.
(d) Revaluation surpluses are

Continued on Page 12, column 4

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Current Cost Accounting - 2

Mixed reaction

THE PROPOSALS have received a mixed reaction, as was expected because of their compromise nature following the CCA recommendations of the Sandilands Committee and the accounting profession's own Current Purchasing Power method proposals for coping with inflation.

But the overall concept of current cost accounting has received broad support, even though some doubts have been expressed about certain technical details, and in particular the question of monetary items.

Accountants see technicalities

THE ACCOUNTANCY profession was in broad support of the advances contained in the exposure draft, but also drew attention to a number of technicalities which need to be looked at in further detail. Two firms were particularly concerned about the complexity of the proposals.

Mr. Stanley Kitchen, president of the Institute of Chartered Accountants in England and Wales, remarked: "Despite the fact that most of us have an instinctive resistance to change, there is general acceptance of a need to change from the historic basis of accounting. There is, inevitably, less agreement as to what new basis should be adopted."

"It is time we looked at the problem. I believe that the CCA system developed by the Inflation Accounting Steering Group and published by ASC is in essence straightforward and workable. Finally, I am sure experience will show that it is a reasonable and practicable way of dealing with the problems of inflation."

Mr. Kitchen, however, pointed out that the proposals for the treatment of monetary items, contract expenditure and overseas subsidiaries, to name a few, and hope that simple, logical and practical solutions can be found.

Whitney Murray joined in congratulating the steering group on producing an exposure draft within its very tight timetable.

They said that historic cost accounts had in many cases become so misleading that a revised accounting convention must be implemented as soon as practicable so that users of accounts were given meaningful financial information on which to base their decision.

Price Waterhouse agreed with the basic Sandilands proposals and were in broad agreement with the proposals to implement the revised accounting convention. They were, however, concerned about the complexity of the exposure draft and hoped that its size would not deter accountants and business from pressing forward with CCA.

Deloitte welcomed the issue of ED 18 on current cost accounting and supported its principal recommendations. The firm believed that the main proposals would overcome many of the deficiencies of historic cost and current purchasing power accounting, thus providing management and other users of accounts with more relevant information.

Government gives its support

THE GOVERNMENT immediately gave its support yesterday for the introduction of the proposals for current cost accounting as the basis for the preparation of company accounts as soon as practicable.

Answering a Parliamentary question, Mr. Edmund Dell, Secretary for Trade, said: "My predecessor, in a statement on November 28, 1975, announced the Government's general endorsement of the principles of Current Cost Accounting recommended by the Sandilands Committee, and the decision of the accountancy profession to set up a steering group, under the chairmanship of Mr. Douglas Morpeth to study the detailed practical problems with a view to Current Cost Accounting becoming the future basis for company accounts."

"The Government reaffirms its support for the system of Current Cost Accounting, and its desire that this should become the basis for the preparation of company accounts as soon as practicable. The Government has been consulted by the accountancy profession in the course of preparation of the Exposure Draft, and endorses the approach which."

the profession has taken. It agrees that the Accounting Standards Committee should apply to nationalised industries and other public trading entities, subject to any necessary adjustment, to meet their special circumstances. "The Government is giving separate consideration to the question of using Current Cost Accounts for purposes of taxation and price control."

"I pay tribute to the success of the Morpeth Group in producing these proposals in so short a time. I do not doubt that all who are concerned for the welfare of British industry will use the exposure period to study the practical and other implications with a view to the effective and early implementation of Current Cost Accounting."

Opposition welcomes work of Morpeth Committee

From the Opposition, too, came a warm welcome for the work of the Morpeth Committee. Sir Geoffrey Howe, Shadow Chancellor of the Exchequer, said: "We welcome the proposed accounting standard based on the recommendations of the Sandilands Committee, in which the Conservative Party gave general support in its policy document 'The Right Approach'."

"Accounts should be as accurate as possible. The disclosure of current cost operating profits, the current value of assets held by an enterprise, and the impact of inflation on capital maintenance, will help to drive home the damaging impact of inflation on the structure and performance of companies."

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Positive step - Banks

THE CLEARING banks have welcomed the exposure draft. They felt it was a positive step forward, the Banking Information Service said yesterday, although primarily relevant to the accounts of industrial companies. They noted the reservations made in the draft as to its shortcomings for financial institutions.

"The banks are obviously concerned that there should be fair and logical treatment of monetary assets comparable to that applied to non-monetary assets. They accordingly look forward to discussions on this matter."

They feel that if new accounting standards are established on the basis of the exposure draft, profits for industry will be redefined to reflect some of the realities of inflation; but the absence of comparable treatment for banks is bound to lead to serious inequities and misunderstandings.

"The banks therefore argue that they should be permitted to make an adjustment in their accounts, before striking a figure for current cost profit which would compensate for any erosion in their free capital ratios that is caused by an increase in their 'overall' monetary assets due to the inflation adjustment."

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Industry points out problems of detail

INDUSTRY IN general welcomed the new proposals but pointed out that many detailed problems remained to be cleared up. An exception was the National Chamber of Trade, a body representing many small businessmen, which found little merit in any aspects of the exposure draft.

Mr. John Hildreth, Director-General of Institute of Directors, was enthusiastic about the exposure draft. "This is a sensible and realistic approach to the problem of accounting for changes in money values and in line with our own recent submission to the Department of Trade."

He thought it right to measure both revenues and costs of production in the currency of the same year; and he felt particularly strongly that it was right to place great emphasis on the role of annual accounts as performance accounts at the tip of the management accounting pyramid.

He congratulated the committee on its neat proposals for the problem of monetary assets which seemed to him both logical and workable. Problems he saw needing to be solved during the exposure period included deferred tax, "we must insist that all is revalued even if it is all in the notes and subsidiary ledgers to retain as much as possible of the objectivity of historical accounting."

On cost of property revaluation, he asked how much do we really need? and on monetary assets he commented: "Above all, the Inland Revenue treatment of inflation adjusted profits is the key to the problem of monetary assets facing financial institutions."

"The banks do not feel that their case is met by the suggestions for an adjustment, or exonerating notes after profits are struck. Quite apart from the implications for taxation, price control and other public policy purposes, these compromises do not seem to apply the spirit of Current Cost Accounting adequately to their accounts."

Insurance

INSURANCE COMPANIES are likely to express support in principle for the implementation of the proposals for Current Cost Accounting as a means of reducing the effects of inflation more realistically.

The adoption of CCA is unlikely to change insurance companies' results materially as these already take account of inflation to a large extent. In fact, the Sandilands Report made particular reference to the need for an approach towards valuing assets and liabilities which is adopted for life assurance business.

The main concern for insurance companies will probably be to ensure that adequate recognition is given to the special features of their business. It is perhaps not widely appreciated that insurance companies, as holders of net monetary liabilities—using the term in its inflation accounting sense—are not in the same position as banks who hold net monetary assets, but they still have the same need to avoid the erosion of their capital base through inflation.

CCA will affect the preservation of insurance company accounts, for example, in its requirement for the use of market values of investments.

CBI, TUC respond to group's proposals

THE CBI welcomed the publication of the CCA exposure draft and congratulated the Morpeth Group on its achievement. "While we will of course be studying very carefully the detailed aspects we hope the general concept will be accepted, and supported by Government, industry and the accounting profession."

The CBI was particularly interested in the implications of CCA for changes in the basis of corporate tax and other Government policies which it hoped would be developed in a way which reflected economic reality.

The TUC made a fairly neutral statement recognising that the changeover to current cost accounting would result in adjustments to the reported profits of most if not all companies. "We are aware that the accounts published by companies were not to result in widespread misrepresentation on the part of trade unionists, the opportunity should be taken to ensure that the changes to both annual and management accounts were fully discussed with trade union representatives."

Quoted investments will normally be valued at market price. Unquoted investments will be valued on the basis of the CCA assets of the company invested in or the stream of income from the investments.

Consolidated Accounts. Subsidiaries and Associated Companies. "Subsidiaries and associated accounts should be on a CCA basis or should be adjusted to a CCA basis. These CCA figures should then be used as the basis for consolidation."

Goodwill. "The appropriate accounting treatment of goodwill is a continuing subject of debate. The exposure draft does not attempt to resolve this debate, but limits itself to giving guidance on the accounts necessary by the introduction of CCA."

Overseas Assets and Operations. "Overseas assets should be restated in CCA terms in the currency of the country. They should then be translated into sterling using the closing rate. All exchange differences arising from the restatement of assets and liabilities should be treated as revaluation surpluses or deficits."

Comparative figures. "All corresponding amounts for the preceding year should be stated as shown in the previous year's accounts; that is, there should be no adjustments for changes in prices since last year."

Conclusion. "The introduction of CCA will be a major change in accounting practice within the U.K. and it will initially at least involve companies and their auditors in more work than the present system of historical cost accounting."

But the improvements in the relevance and usefulness of the resulting information to management, employees and investors will far outweigh any increase in workload.

CCA will help to provide the up-to-date financial information which management needs if the business is to survive, prosper and grow in today's inflationary world.

Stock Exchange in favour but with reservations

THE REACTIONS of the Stock Exchange and stockbrokers were in general favourable to the proposals, but a number of reservations were expressed about certain key technical areas.

The Stock Exchange said it welcomed the publication of the exposure draft on current cost accounting and would be giving close attention to its proposals.

The Council expressed general support for the concepts underlying the report of the Sandilands Committee in the autumn of 1975. A letter was then written to listed companies urging them to include in their annual accounts, pending the issue of an accounting standard, certain elements of the accounting information which will be obligatory once a CCA standard comes into force.

"The response to that letter has been most encouraging and the Council acknowledges the effort made by a significant number of companies to produce the information requested. The Council will now consider whether any further recommendations can be made in listed companies pending the implementation of a definitive standard."

Philipps and Drew found it disappointing that the Morpeth steering group had failed to find an answer to key questions such as the treatment of monetary assets and liabilities, and the definition of distributable profits and earnings per share.

On his estimate aggregate pre-tax profits will be approximately halved under the method proposed. "This means that the two-year prospective P/E on the market can probably be said to be in the range 10 to 12 rather than 15 to 20 as under the present system of accounting."

Mr. Roger Nightingale of Hoare Govett said that the real value of shareholders' funds, as not that it produced a system which "accounted for inflation," but that it highlighted the differences between profits which should properly be located in the balance sheet and those which are genuinely revenue items.

"What is failed to do was to estimate in any way the 'real' value of shareholders' funds. Sandilands presumably felt that this was not the function of an accounting system, and for our own part we would tend to agree."

Contd. from Page 11

assets, directors will need to consider the following questions: (1) An index compiled by the company from its own purchasing experience; (2) An index compiled by the company from its own purchasing experience; (3) An index compiled by the company from its own purchasing experience; (4) An index compiled by the company from its own purchasing experience; (5) An index compiled by the company from its own purchasing experience; (6) An index compiled by the company from its own purchasing experience; (7) An index compiled by the company from its own purchasing experience; (8) An index compiled by the company from its own purchasing experience; (9) An index compiled by the company from its own purchasing experience; (10) An index compiled by the company from its own purchasing experience; (11) An index compiled by the company from its own purchasing experience; (12) An index compiled by the company from its own purchasing experience; (13) An index compiled by the company from its own purchasing experience; 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Current Cost Accounting - 3

THE GOVERNMENT ACCOUNTANTS' VIEW

Whitehall's support

BY K. J. SHARP

THE GOVERNMENT is committed to support the principle of current cost accounting (CCA). This was made clear by the then Secretary of State for Trade in November 1975 when welcoming the Sandilands Report and was confirmed in a written answer in the House of Commons yesterday by Mr. Edmund Ball, the Secretary for Trade.

The publication of Exposure Draft 18 (ED 18), it follows therefore that in so far as ED 18 accepts and applies the Sandilands approach it too will have support in Whitehall. During the exposure period the Government will make a close study of the implications of the proposals and will encourage all affected organisations to do the same.

During the 11 months since the setting up of the Inflation Accounting Steering Group (The Morpeth Committee) I have served as one of the two Government representatives on the Committee and have simultaneously served on the interdepartmental group in Whitehall which has been following progress and concerting government views. This has not been the friendless position it may sound because Whitehall is more concerned with the broad strategic issues which arise from the introduction of a new system of accounting, while the prime purpose of the Morpeth Committee, set up by the accounting profession and the Government's support, is to concentrate upon the detailed problems which Sandilands recommended should be examined urgently in order to achieve a swift implementation.

While there have been several occasions upon which views on the fundamentals of accounting theory have been hotly debated (and with the evident enjoyment of the parties involved) it is upon the detailed practical problems that the Morpeth Committee has primarily concentrated. Communication between Morpeth and Whitehall has been frequent at both formal and informal levels and any incipient difficulties have been rapidly resolved. The Government has recognised that all matters of detail were for resolution by the profession and has not sought to intervene when not directly concerned.

It is inevitable, when a principle is stated with appealing simplicity, that there is a sense of disappointment and frustration if the practical application involves complexities which appear at first sight to reduce some of the initial attraction. The Sandilands Report was written in terms of general principle and illustrated primarily in the context of the manufacturing company. Substantial development was therefore necessary to find practical means of accommodating the structures of various other types of entity. There were also some highly complex technical problems, for example those concerned with overseas subsidiaries and transactions,

No remorse

In some ways the most striking divergence of the Morpeth recommendation from the Sandilands concept is in the format which is proposed for the future statutory accounts of companies illustrated in an appendix. This bears a much closer resemblance to the traditional profit and loss account style than the Sandilands' proposal for a Statement of Total Gains. The format has evolved during the course of the debate as a result of the difficulty of finding an entirely satisfactory

answer to the question "What is profit?" The Morpeth Committee need feel no remorse since the question is one which has plagued the academic heart of the accountancy profession for many decades and the only consensus is that, at least in practical terms, it is not likely to be answered conclusively in the foreseeable future.

There is no present proposal to redefine what amount may legally be distributed (though a final decision has yet to be taken) and it is accepted that auditors cannot be expected to judge the wisdom of the distribution policy of directors. With these considerations in view the Exposure Draft has adopted the pragmatic approach of presenting the relevant figures separately for users to interpret as they think most appropriate. Effectively the key figure of profit (if that concept continues to have any relevance at all) is Current Cost Profit, meaning operating profit adjusted for interest, minority interests, and extraordinary items. The introduction of surpluses on revaluation and transfers to revaluation reserve are brought into an appropriation account upon the basis that items "below the line" are treated as being "unauditable".

While not entering into the academic fray, I suspect that there may be some concern as to whether the exceptions permitted to enable gains on efficient buying to be included in operating profit are adequate to permit a reasonably realistic view of industrial earnings to emerge, or whether these earnings are now going to be significantly understated.

It is noteworthy that the problem of definition of earnings per share is not touched in the Exposure Draft. The resolution of this problem could have important implications for the attraction of funds by industrial companies (in so far as they are seen as depending on stock market ratings).

Problems relating to taxation and price control were expressly excluded from the terms of reference of the Morpeth Committee. It is, however, made clear that the Committee regards it as desirable that Current Cost Accounting (CCA) should be used for price control and taxation purposes. With regard to price control, the question at the moment is somewhat academic since the present legislative basis expires on July 31 next, but insofar as accounting information continues to be relevant the proponents of CCA are likely to meet an understanding response.

As to taxation, there are practical questions to explore and preliminary discussions between the Morpeth Group and the Inland Revenue already have started. The major question immediately is the treatment of stock, on which the Chancellor has promised discussions with industry and the accountancy profession.

None of these considerations takes into account problems re-

Short term

Because the introduction of CCA will lead to better information being provided about the performance of companies overall, it can be expected to have profound effects on the apparent relative profitability of various sectors of industry and commerce and of different companies within those sectors. In the short term the effect is likely to appear unfavourable to highly capital intensive manufacturing industry. There is bound to be doubt as to whether there will be sufficient understanding of the reasons for the apparent relative increase in profitability in the financial sector. The service and labour intensive industries will also show a relative improvement. However, these short term effects should not be given too much weight. The reduction of reported profitability will likely lead to a move towards improved real profitability to restore relative performance closer to familiar levels.

Notwithstanding the points discussed above, the Government believes that the interests of the nation require the introduction of the Current Cost principles into company accounting as soon as possible. This belief stems from a vigorously held view that the information emerging from CCA is likely to be a positive and valuable aid to management. Implicit in the whole thinking of the Morpeth Committee is the belief that the real value to industry and commerce of CCA lies in its adoption for management accounting, and that companies' information systems will benefit enormously from the introduction of integrated management accounting on this basis.

As ministers have asserted on numerous occasions the main thrust of Government economic policy lies in the regeneration of British industry: they believe that a valuable part will be played by the introduction of Current Cost Accounting—not just because we are living in inflationary conditions, but because for all conditions it is a better system of accounting in its own right.

(K. J. Sharp is head of the Government Accountancy Service)

GUIDE FOR FINANCE DIRECTORS

A company's handbook

BY MICHAEL LAFFERTY

THE PUBLICATION to-day of the Morpeth Group's proposals on current cost accounting (CCA) is of major importance to the finance director. It will be his task to see that the new system is successfully implemented and that its implications are fully understood by all those in his company who use financial information.

It is important to appreciate that CCA will soon replace the traditional accounting system which has been in use for over 400 years. Therefore ED 18 is not like any other draft accounting standard dealing with a certain aspect of accounting principle. This is a blueprint for a complete new system in which figures have different meanings and uses from those we are accustomed to, and above all are more realistic than ever before.

First, the financial director should study the timetable for the introduction of CCA in statutory accounts to see where his own company fits into the three-stage implementation.

Until the phased introduction begins, both the accountancy bodies and the Stock Exchange have given guidance on what companies should be doing in their statutory accounts while historic cost figures continue as the basis of the main financial statements. At the beginning of 1976 the Stock Exchange urged listed companies "as soon as practicable and until some indication has been given of the form in which the steering group will recommend that current cost accounts should be presented" to publish certain supplementary CCA figures. These are the cost of sales adjustment, the CCA value of fixed assets and the related depreciation, and the effect of inflation on the net monetary position of the business.

At the same time quoted companies were asked to move as rapidly as possible towards a position in which they would be able to produce both full CCA accounts and a statement of the effect of inflation on shareholders' interests. Now that the steering group's proposals are published it would seem that companies should be prepared to publish both CCA and historic cost accounts.

Unlike CPP, the great advantage of CCA is its relevance to internal management accounting. It is widely believed that many large companies already use current cost figures in their internal accounts but it is also obvious that far too many large and small companies do not. As a result, the information being produced for pricing and other management decisions must be deficient. There can be no real excuse for any delay in this vital area and the finance director should ensure that a realignment is made as soon as possible.

But even where companies are accustomed to thinking of costs in current rather than historic terms, a major educational exercise will have to be undertaken to introduce

executives and employees to all the implications of CCA. For this the starting point must be the exposure draft itself and there is unlikely to be any substitute for a thorough self-education.

From now on many organisations will be running courses on the ED 18 proposals and for many people this will prove to be the best means of getting an insight into the subject. In general the practical courses being arranged by the leading professional accountancy bodies would appear to be the best bet, but the big accounting firms will also be running free seminars for their clients.

deliberately to offset the limitations of historical cost accounts. Under CCA all assets which are in use should suffer a depreciation charge. The financial director should set in train a review of his company's depreciation policy to revise the life spans attributed to assets onto a realistic basis. This could double your CCA profits at a stroke.

Plant registers: One of the greatest difficulties in introducing CCA in many companies will be the simple problem of obtaining information about the age, cost and location of items of plant and machinery. An immediate start should be made to prepare a plant register

your company is to test it out against a sample of purchases. This experiment should be carried out as soon as possible. Deferred taxation: It may seem attractive to cease providing for deferred taxation but be warned that if your stock levels fall or your company cannot afford to maintain its capital investment programme at the same level the tax charge has a nasty habit of shooting up to high levels without much advance warning.

Your company might find its profits are eliminated if no provision for deferred tax is made. Before making any decision about deferred tax look back at your company's record over the past five years and then examine in detail your cash flow budgets for the next three years.

Professional valuation. If your company has revalued its land and buildings in recent years you should approach the valuer and discuss the best way of tackling valuations for CCA purposes. Valuers are supposed to be competitive among each other and you should not expect to pay full rates for repeat valuations.

Dividend policy. CCA may affect the dividend cover in your company's accounts. The financial director should estimate the effects of the introduction of ED 18 on the accounts and begin to calculate what proportion of holding gains may need to be distributed.

Goodwill. If your company's accounts include goodwill you should consider whether you can eliminate the goodwill against a revaluation surplus on fixed assets. The Accounting Standards Committee may require goodwill to be written off in the future. Rather than use future profits to eliminate what in CCA terms is a meaningless figure it is best eliminated against the revaluation reserve.

Wage negotiations. Wage negotiations may take place against the background of the results produced by the company. In which case all those involved in wage bargaining need to be made aware of the different type of information produced by CCA accounts. When CCA accounts come to be accepted greater pressure is likely to be made to reduce costs and improve profits. The best way of doing this is to reduce staff costs.

Computer programs. If your accounting systems are maintained on computer facilities it may take a long time to rewrite the programs to incorporate CCA information. In this case your computer manager should be warned of the work required and the cost of re-programming.

Auditors. Your company's auditors are unlikely to be in a better position at present than you are to plan for CCA. It is however wise to remove any possibility of conflict before you make any changes. It would therefore pay you to clear your plans with them before implementation.

THE TIMETABLE

- (i) Phase 1 is for listed companies, nationalised industries, and other companies with assets or turnover in excess of £10m, and commences for accounting periods beginning after July 1, 1978.
- (ii) Phase 2 applies to companies with assets or turnover in excess of £1m, and to companies which have more than 50 per cent. of their assets outside the British Isles; and commences for accounting periods beginning after January 1, 1979.
- (iii) Phase 3 is for companies with assets or turnover in excess of £100,000 and commences on January 1, 1980.

In the meantime much preparatory work needs to be done. The following notes by a leading chartered accountant to put the company in a position to implement CCA, if a development of CCA highlights areas for immediate attention:

Accounting records: Historical cost accounts will be required for at least four more years and it may well be that most companies will continue to maintain their accounting records in traditional form and make adjustments for CCA on subsidiary manuals. It is therefore important during the experimental stage not to use accounting systems until you have firmly decided what new features you require and have tried them out on an experimental basis.

Depreciation rates: Many Indices: The Central Statis-

THE ACCOUNTANTS' GLOSSARY

Accounting profit.	Profit found by the traditional (historical cost) system.
CPP.	Current purchasing power, i.e. the system, backed by the accounting profession in SSAP7, that raises the historical cost of assets and inputs with the general index.
CCA.	Current cost accounting i.e. the system, backed by the Sandilands Report, that uses current values of each asset and input.
Holding gain.	Increase in an asset's value between the dates of purchase and sale.
Operating profit.	Accounting profit with the holding gain taken out.
Real gain.	Gain over and above historical cost raised with the general index.
SSAP7.	The accounting profession's CPP reform plan, geared to the general index.
Value to the owner (or deprival value).	Value found by selecting the most relevant of replacement cost, sale proceeds, and value in use—usually replacement cost.

AN ACADEMIC'S VIEW

The accountants' safe haven as far away as ever

BY W. T. BAXTER

WHEN DESIGNING a new kind of aeroplane from scratch, we might sensibly start by learning all we could about relevant theories of aerodynamics and existing planes. If instead we adopted several discordant and dubious principles—if we ignored the experience of others—if we said "jet engines are good, but so are diesel, so let's stick both in"—if we delegated the design of different bits to groups working apart—if we went helter-skelter for jumbo size then our invention might not inspire maximum confidence.

The Morpeth committee is hardly to be blamed if its new Standard, to-day, bears some likeness to that plane. They were made to work at speed, and can with reason be said to lack preliminary studies and take short cuts.

They suffered even worse constraint. The committee was set up, on Government orders, to show accountants how to put into effect the ideas in the Sandilands report. Sandilands recommended that assets and liabilities should be stated at current value, but the owners' capital, reserves, etc. should be left at historical cost. It rejected out of hand all use of the general index—which means that the Sandilands system falls far short of performing two of the essential tasks of inflation accounts: to show loss or gain on money (for instance from owning or owing pounds while their value sinks); and real loss or gain on other items. If my house appreciates by 20 per cent. while the general index

rest of ordinary profit, and is the whole of it when input prices do not change. This analysis is of mild academic interest (it is supposed to show skill as at timing purchases), but has hitherto been almost unknown in practice.

When, however, the Sandilands committee turned CPP profit, it had to hunt for a substitute. Operating profit seemed the very thing; it has an air of intellectual profundity (spurious to my mind), and can be relied on—so long as input prices are soaring—to stay low. The Sandilands income statement therefore depends on operating profit, and denishes holding gain to the outside. The new report follows suit: an unadvised glossack is the centre of its income calculation. Oh! let us never, never doubt/What nobody is sure about.

The soundness of the Morpeth procedure can best be judged by asking what should happen at a time when general prices are fairly stable, yet assets of the given firm rise in price while they await sale. The steps in the story are: (1) the assets appreciate, and thus holding gain is borne; (2) the assets are sacrificed to earn revenue, and thus the holding gain is realised; and (3) the firm makes use of the proceeds—that is, to pay dividend, or to plough back in more assets. To serve their readers well, accounts must reflect all three steps in the story—inter alia so that the directors can be held answerable for their use of the owners' resources at (3). The ordinary income statement tells the story less badly than a revalued form that hides the holding gain.

Suppose the directors choose to plough the gain back and so increase the cost of physical assets. That increase may take the form of, say, an extra building, or (most probably) the physical replacement of the depreciable inputs. But surely in both forms the business is expending in the economic sense. If the extra investment will boost earnings, then it meets the best test of capital investment, whatever the physical characteristics of the assets.

Capital outlays on extra buildings and the like are not tax-deductible. So, if justice were sole concern, neither should extra cost of physical replacement. But here comes the rub. If outlays on tax and dividend prevent outlays on replacement, and if the firm is unable to persuade the capital market to lend the needed funds, all manner of ill results may follow, unemployment for instance, and idle assets for instance, and so on. There may be a case for tax concession. But it continues as charges in the form of investment—and not concealed by judging profit.

Directors and owners will rejoice when exclusion of holding gain spells low tax. But what happens when the cat jumps the other way, and there is holding loss? Current cost of stock and plant input then drops, and so operating profit is bigger than ordinary profit. Just when the accounts should warn, they soothe: they hint at higher, rather than lower dividend; and, thanks to clawbacks (worse than under present rules) the firm pays more tax than if ordinary profit is the base. The owners' "substance" is maintained in a

physical sense, but they now see that they want value, not tax. It is odd that this risk has attracted so little interest.

Inflation does not change the argument in principle. But now "holding gain" consists of a phoney element (due to fall in the value of money) and real gain. The former should be omitted from profit, the latter kept in. For instance, if stock appreciates from £100 to £120 while the general index rises 15 per cent., accounting profit should indeed be cut by £15, but £5 ought to be recognised as income. CPP accounts charge the £15, Sandilands and Morpeth £20. It will be ironic if a Socialist Government concedes the £20.

The difficulties of measuring holding gains are still unexplored, and may be great. Any simple measurement must be an approximation, possibly for instance, storage costs for instance, and interest will presumably be due in large part to keeping the stocks that yield holding gain. When technology or the firm's products change, the difficulties of defining "replacement" are multiplied. The system will allow much scope to ingenious minds, and may prove (in the accounting terminology) a fiddler's paradise.

Though the Morpeth committee puts operating profits into the limelight at the top of its income statement, it recognises (unlike Sandilands) that holding gain deserves mention. And I do not think we should do less and gain distortion "income" for the taxman's sake: better content to have two figures. Apologists for the new standard can plead that full discussion and testing are ruled out by the need to race to a deadline. But then we should start with something simple and proven, such as the CPP models of Brazil and Chile. This important change should be made by cautious evolution, not started jumps.

Perhaps the issues go deeper than we like to acknowledge. The kind of measurement with which we are all most familiar is that of physical quantities (for example weights); and it can differ in nature from measurement of more subjective things. If Miss X tests her weight on two machines at Blackpool, and the machines disagree, we can reasonably hold that at least one of them is wrong. But if she goes in for a diving or a beauty competition, and each judge gives her a different mark, the disagreement need not suggest incompetence: tastes vary.

A beauty standard could impose uniformity only if it confined itself to physical traits. Thus it could order the judges to choose the girl whose statistics came nearest to 35-24-34. But then the winner might so lack charm that most viewers would say the decision was daft. Likewise the measurement of wealth is largely subjective, and standard figures may be uniform but absurd. Even the wisest standard may not bring accountants to the calm bay that they are seeking so earnestly. And this standard is far from wise.

W. T. Baxter was professor of accounting at the London School of Economics, 1947-73, and is the author of Accounting Values and Inflation.

Arthur Smith, Midlands Correspondent, examines the working of the Government's accelerated investment scheme

Working out a new deal with industry

THE CHANCELLOR is expected to generate investment of £800m, and create 10,300 jobs in his imminent package of measures to encourage investment in manufacturing industry. While the exact terms and conditions on which the funds will be offered remain to be disclosed, it will draw heavily on the past 18 months' experience with the accelerated investment scheme.

As a result of this experience, the Department of Industry believes effective and efficient machinery has been constructed to vet applications for State aid; more important still much of the hostility and suspicion between industry and Whitehall has been broken down.

The new scheme will reflect the extent to which direct Government assistance has become detached from regional considerations—the problems of the depressed areas—and geared towards the needs of particular industrial sectors. The emphasis will be upon productivity and export potential rather than pure job creation.

Funds fudged

Though Mr. Denis Healey, the Chancellor, announced the accelerated investment scheme to a great fanfare in his April Budget last year, the exact funds available were fudged and the lower limit of eligibility was set at schemes costing £2.5m.

At the depth of recession, the Department of Industry had taken tentative steps to encourage companies to bring forward major schemes. Well-meaning as such an initiative might have been, it marked the period when Mr. Anthony Wedgwood Benn was Secretary of State for Industry, and controversy was raging about industrial planning agreements and worker participation.

Not only was the response to the scheme poor, but any signs of economic upturn receded and on September 28, 1975, the scheme was extended to embrace projects worth more than £1m. By November 5, Mr. Eric Varley had taken over as Industry Secretary, the limit was lowered to £500,000, and the time for application extended to the end of September this year. At the latest count on November 5 this year, the department had made 112 offers of assistance worth £80m.

Nowhere can the full import of Government policy be felt more keenly than in the West Midlands. This is the region which has not only managed to gain more applications under the accelerated investment scheme, but has benefited most from the fundamental switch in industrial policy.

In the prosperous post-war era, the region was subject only to the negative aspects of regional policy—to industrial development certificates and measures to relocate expanding companies to the assisted areas. But in the past two years specific aid schemes announced by the Government will make £26.2m, available to the Coventry-based Alfred Herbert machine tool company, £162.5m to Chrysler U.K., and £2,800m to British Leyland, half of which will be spent in the West Midlands. Not only this, but the region is benefiting from the ferocious foundry, machine tool and clothing industries schemes.

Nor is it an accident that the West Midlands has emerged with most applications for the accelerated investment scheme. Mr. John Thompson, regional director for the Department of Industry, says: "This was the best thing that had happened to the region. It had never before been eligible for direct Government assistance." Mr. Thompson mounted a publicity campaign for the scheme with details going out to the regional Confederation of British Industry, local chambers of commerce and engineering employers' federations, in

addition to reports in provincial newspapers and appearances on local radio and television. The most successful approach, however, was from individual contact with the managing directors of local companies. The research department of the Department of Industry regional office drew up a list of 80 to 90 companies likely to benefit from the scheme and Mr. Thompson and his deputy visited them personally.

Uncertainty

As a result of these efforts, the West Midlands has already generated 23 offers providing Government assistance of £8m, towards investment totalling £72m, and creating 3,400 jobs. The size of this achievement—and it should be noted that every £1 of Government money has brought forward more than £9 private capital—must be judged against the current bleak investment climate where uncertainty about the future, high interest rates and excess capacity militate against new ventures.

Projects initiated range from a £500,000 scheme to expand production by 25 per cent. in one of the region's traditional industries at Chubb and Sons, the lock and safe company, at Wolverhampton, through to five factory developments totalling more than £7.5m, at the famous Wedgwood pottery works. Though differing in size, both projects have in common that they will raise productivity and increase capacity to meet export orders.

At Wedgwood the investment

will create 1,000 new jobs over the three years starting next April, and marks a fundamental extension of capacity. Capital spending has been running at between £2m. and £3m. a year, but, according to Mr. Peter Williams, the deputy chairman, the Board had decided by early this year to defer the bulk of its planned £7.5m. investment in five factories in North Staffordshire. "The schemes had been brought to an advanced stage of planning but, because of the economic problems of this country, uncontrolled inflation, and the fact that the U.S., as one of our major markets, was emerging only slowly from recession, we decided to postpone."

Mr. Williams maintains that, had it not been for the Government assistance in the form of cash grants totalling £1.5m, towards interest payments, the Board would still not have initiated the projects. "Without the Government aid we would certainly not even be looking at four out of the five schemes to-day."

Assistance under the scheme was offered in the form of concessionary loans—usually around 4 per cent. below the ruling market rate for a first class company—or as an interest relief cash grant. Of the £80m, so far allocated, more than 90 per cent. has been taken in the form of grants to companies which have borrowed elsewhere but accepted the government assistance as a contribution towards interest payments.

While complicated formulae exist for the way assistance should be advanced, in practice the accelerated investment scheme has worked largely on a basis of horse-trading between individual companies and the Department of Industry. Working to strict criteria of eligibility, based on factors such as the commercial viability of the project and its contribution to an improvement in the balance of payments, the Department has tried to keep its offers to the minimum and yet still encourage companies to bring forward investment.



Sir Arthur Bryan (right) at one of the Wedgwood potteries: Government cash will allow a £7.5m. investment plan to go ahead, providing an extra 1,000 jobs in North Staffordshire over the next three years. Were it not for State aid, the plan would have been shelved.

formula for interest relief payment. But the reality of the arrangement is disclosed by the fact that, under most of the projects approved, Government payments are related not to the actual interest payments, but to the progress of the development.

Selectivity

For state aid to be awarded in such a fashion marks something of a departure. The British Civil Service, with its tradition of impartiality, has been asked to move towards a policy of discrimination and selectivity. This was inherent in the Conservative Government's 1972 Industry Act under which their assistance schemes have been carried out. But the significant recent trend has been to shift away from Sec-

tion 7 of the Act, which provides for regional assistance, to Section 8, which gives general powers to assist firms or industries in any part of the country. "With a great deal of Government aid being offered to companies, new machinery was needed to negotiate sensible terms, and private sector skills had to be applied," says Mr. Graeme Odgers, director of the unit. Mr. Odgers, a former director of C. T. Bowring (Insurance) Holdings and chairman of a leading company of management consultants, was himself recruited to the Millbank Tower headquarters of the DoI from the private sector in 1974.

The task of the unit is to make a detailed examination of applications for investment aid, conduct negotiations, and approve terms.

Once a project had reached the point of a firm application and the initial vetting had been conducted, Mr. Odgers allocated it to one of his four deputy directors—senior financial executives recruited from top companies usually for a two-year period. Working to the deputies are a dozen case officers, again from the private sector, usually in their early thirties and trained as financial analysts, chartered accountants or management consultants.

The unit required from companies the sort of information that any efficient Board would want from its executives in assessing a project, including market projections and detailed cost and viability forecasts. In addition, compliance with the criteria for the scheme had to be ensured, most important of exports.

which was envisaged usually in the form of executive or Board minutes, that the scheme would have been deferred or assistance.

To the sceptics who criticise that the accelerated investment scheme could not fail as it amounted to little more than the State handing out pound notes to all comers, the industrial development unit points out that more than two-thirds of the 350 applications for aid were either rejected or withdrawn because they did not meet the criteria. Indeed on present trends it seems likely that only £100m. of the full allocation will in fact be disbursed by the department.

In making its assessment, the unit drew not only on the knowledge of the DoI regional office but also on the expertise of the civil servants at Millbank Tower specialising in particular industrial sectors such as electrical or textiles. Moreover, some terms had been agreed with particular companies, the arrangement was subject to normal DoI vetting and to vetting by the Industrial Development Advisory Board, the statutory body established for the purpose under the 1972 Act and chaired by Sir Robert Clark, chairman of Hill Samuel.

Praise

Praise for the efficient way in which the accelerated investment scheme was handled is widespread. Sir Arthur Bryan, chairman of Wedgwood and man noted for his views about the need for the private sector to be free of Government interference, says that any fears that the department might attack "strings" to assistance were quickly dispelled. The company had felt free to divulge commercial secrets and confidences. It experiences would encourage the company to deal again with the Government "provided that people concerned were of the same high calibre."

Mr. Odgers maintains the lesson of the exercise is that "We have learnt that Government working with the private sector can, in an effective way, persuade companies to do things in the national interest to improve efficiency and productivity and ensure, most important of exports."

OFFERS MADE UNDER THE ACCELERATED INVESTMENT SCHEME, AT NOV. 5, 1976

	Offers made	Projects cost £m.	Assistance £m.
Scotland	6	33.5	2.9
Wales	2	16.0	2.5
Northern	4	30.0	1.8
Yorkshire and Humberside	10	137.5	21.5
North West	14	59.0	8.8
East Midlands	10	16.5	1.5
West Midlands	23	74.0	8.5
London and South East	9	21.0	2.0
South West	11	34.0	3.0
Eastern	13	113.0	15.5
Projects in more than one region	18	67.0	12.5
Total	112	601	80.0

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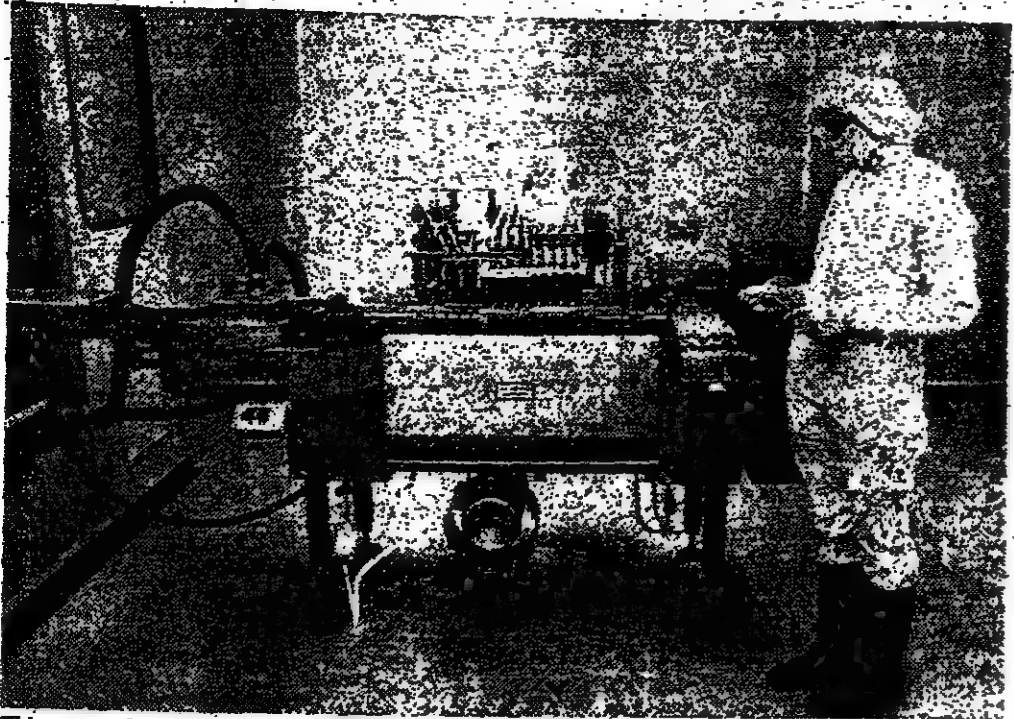
The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHWARTZ

PROCESSES

Success for cable joint process

BASED originally on the requirements of the Electricity Council for jointing 600/1,000 volt electricity distribution cables, a rubber compound encapsulation process developed by Western Composites is now being made more widely available. The technology is called EMC and can be used to protect, for example, a cable joint by temporarily encasing it in a casting box into which a semi-fluid rubber-based encapsulating compound is forced and later sets. Chloride Lorival have been closely associated with the project and are supplying the fluid under licence from Western. Sales to the U.K. Area Electricity Boards will be handled by a new company set up for the purpose, Western Electric, while other sales, for example to the contracting and industrial maintenance markets, will be undertaken by 3M United Kingdom under an agreement; 3M is negotiating to look after European sales. In Australia, Olex Cables has been appointed exclusive distributor. Western says it is dealing with many enquiries for moulding in EMC as a replacement for malleable iron. March Road, Ryli, Gt. (0748 31603).



This ampuole filling and sealing machine is housed in a newly-constructed aseptic/clean environment at the Thomas Kerfoot laboratories in Lancashire. It is part of a compact production line made by H. Strunck and supplied by Robert Bosch Packaging Machinery (U.K.) of Acton. The washing and filling line is able to produce

200,000 ampoules per week of a wide range of pharmaceutical products and Kerfoot has invested some £100,000 in the project. Clean-room facilities have been provided by Envalir (U.K.) of Rossendale, Lancs. The other Strunck units include an ultrasonic cleaning unit and a drying and sterilising tunnel in stainless steel.

Winds GRP pipes and tanks

AUTOMATIC PRODUCTION of glass fibre reinforced polyester resin pipes, tanks and cylinders, ranging in diameter from 2 to 48 feet, and up to 40 feet in length, can be carried out on a winding machine developed by Venus Products Inc., Kent, Washington, U.S. Up to 80 filaments of glass fibre are drawn through the operating head which moves back and forth across a rotating mandrel to hoop-wind the material. Simultaneously, chopped glass and catalysed resin are sprayed on to the mandrel. The equipment includes a proportioning mechanism and a high volume pumping system to supply the resin and catalyst, which are mixed at the spray head, and delivered at rates up to 40 lb/minute. Although the mandrel and its rotating equipment is not included (companies making pipe usually have this plant), its speed of rotation is controlled by the winding machine. Traverser of the winding head

can be either automatic or manual, and is infinitely variable to give flexibility of laminate thickness. Tapers can be produced by increasing or decreasing the speed of each pass. The whole operation is controlled by one man, usually with an assistant to handle materials. If the machine stops for more than a few seconds the system is flushed with solvent. Because moulds, especially for the larger sizes, are often made of wood, the machine is supplied with an applicator which can be used to apply a plastic film to the wood to act as a parting agent, or as a pipe liner. Alternatively the applicator can be used to apply chopped strand mat, woven rovings, fabricated mat, unidirectional tape or fabric. It can also be used when a corrosion resistant lining resin is required to apply the reinforcing glass fibre well when the special, lead resin is sprayed on the mould. Optional extras include a facility for swinging the head through 180 degrees, so that it can be positioned between two mandrels and work on each alternately, and a digital readout showing the amount of glass and resin being used. Development work is in progress on heads capable of making pipes with diameters down to two inches. The equipment is marketed in the U.K. by CT (London), 3, Robert Place, London SW1W 0HW (01-225 1364).

COMPUTERS

Heavy spending by French Government

IN THE four years 1976-80, the new computer manufacturing company formed by the amalgamation of most of Honeywell-Bull with the big machine section of the French Government's CII organisation will get an estimated Fr.1.2bn. of support from the Government. Parallel to this will run purchases of over Fr.4bn. of computers by a government organisation called CNIME which will then lease them to Government groups and nationalised industries. However, Jean-Pierre Brule, president-director-general of the new organisation insists that while these figures appear to show there is massive Government support, this is not in fact the case. Firstly the French Government's recent company is not committed to buy from his organisation. It will have to submit competitive bids. Secondly without this aid, Honeywell-Bull could not have tackled the fundamental problem of rescuing CII from financial disaster and the French Government from the necessity of pouring more

INSTRUMENTS

Flow rates at high pressure

FLOW metering at pressures up to 1500 psi (100 kg. F) is possible to an accuracy of 1 per cent. using indicators introduced by Brooks Instrument; repeatability is 1 per cent. of full scale. Measurement is by movement of a metering plug in a fixed orifice. A magnetic coupling in the non-rotating guided plug activates another magnet in the rear of the instrument, giving a reading on a dial indicator. A choice is offered of direct reading scales or percentage scales with galls/min. or per hour graduations. Model 3609C has flanged connections while the 3604C has NPT threads. All are rotatable and interchangeable. An electric transmitter can be provided optionally with outputs to various standards. More from Tempelmeier Lane, Stockport, Cheshire (061-490 8614).

hand have what might best be described as a simulated swirl—a joint-shaped piece of hollow metal filled with an oil sand mixture into which are inserted thermocouples. As one engineer pointed out, "it is not quite what one might have expected."

The bulk of the work at Watson House however is concerned with making sure that appliances reaching the public are all that they should be; official approval is the prime factor.

One group of engineers is concerned with complete appliances—measuring efficiency (mostly in the 55 to 60 per cent. region) and assessing safety while another looks, basically, at means of maintaining reliability at a time when more and more operational parts are being used in appliances. Much of the effort goes into accelerated testing of components.

RESEARCH

Fifty years of gas technology

NOW EMPLOYING some 400 people in 100,000 sq ft of laboratories and offices and costing about £4m. a year to maintain, Watson House, the domestic research wing of British Gas, is celebrating its golden jubilee. The principal task of the laboratories over the last 50 years has probably been the technical back-up needed to make the conversion to natural gas starting in 1967, but since then there has been solid progress in areas such as standardisation, co-operation with appliance makers, combustion problems, spark ignition, and the balanced flue. Liaison with industry is no simple matter since there are some 25 appliance manufacturers and 350 suppliers altogether.

METALWORKING

Indexer can triple tool production

AN AUTOMATIC spiral indexer, developed by Bristol Tool and Gauge Co., when fitted to a standard universal milling machine, enables flutes to be machined on three cutting tools simultaneously.

The indexer has three spindles on 3.5 inch centres. Each spindle is bored through to take draw bars, or for holding a collet chuck or similar work holding device. Up to 35 equal divisions are provided by a quick-change index plate. Additional plates with unequal divisions (down to 10 deg.) can be supplied. The equipment enables spiral flutes to be machined on drills, reamers, milling cutters, end mills and similar cutting tools. Large components up to 6 inch diameter can be machined singly, and for this the centre spindle of the indexer is fitted with heavy duty bearings. The maker is at Church Road, Kingswood, Bristol (0272 674661).

Pneumatic feed for power press

PULLING AND clamping power for progression of power press stock material can be provided by the Micropower air gripper feeder. Using two valves and a single air cylinder, the unit can be

adjusted to give an exact flow of air to suit the feed pitch set without restricting the clamping and pulling power. In pitch accuracies of ± 0.0005 inch. The device requires an air supply at 100 psi, and provides a pulling power of 100 lb. Automation can be achieved by the use of an adjustable trip arm attached to the press tool or to the slide ram of the press. Remote air control can be supplied. A repeater unit is available for multiple stroking. The maker is Gauges and Instruments, Woodside Works, Summersby Road, Highgate, London N6 5UJ. (01-883 9881).

Rolls spiral staircase frames

RINGS, SPIRALS and helical coils can be formed from tube, section or bar with the Taurine Alfa 50 ring rolling machine marketed by Addison Tool (Sales) Company, Westfield Road, London W3 0NE (01-993 1661).

Applications are diverse, ranging from the frames of spiral staircases to ship display racks. The machine can be used to operate vertically or horizontally according to the space available and the requirements of the application.

Rolling and forming is performed by three shafts powered by a 4 hp motor, and carrying rolls which are split to accommodate flat strip on edge, or the webs of profiles such as angle iron or T section. Two of the shafts are adjustable against graduated scales for different radii and the machine is controlled by pedals providing forward and reverse rotation of the rolls for progressive forming.

Those in the telecommunications, computing and systems engineering fields should find the course useful, in particular if they have moved away from close involvement in scientific work to a broader field of management. Technical topics covered are not likely to have been treated in the participant's original degree course and will include the physics of the power electronic devices, mathematics, systems and control technology. Some time will also be spent, however, on economics, and energy conservation. Energy conservation will be an optional subject.

A series of after-dinner talks by distinguished speakers will form an important part of the non-formal activity. The school is residential at Trinity Hall and the inclusive cost is £225. More from Professor A. H. W. Beck, Engineering Dept., Trumpington St, Cambridge (0223 66466).

Quick look at tubes

DEVELOPED in conjunction with the CEEG as a means of examining a large number of tubes—boiler or condenser tubes—quickly is the Acoustic Razer 1000, now in production by Industrial Electronic Services. Principle is to pass an ultrasonic pulse of between 100 microseconds and three milliseconds duration and up to 80 watts pulse power into the open end of the tube up to four times a second. Reflections occur at any point where there is a discontinuity that will provide a sufficient change of acoustic impedance. Obstructions, foreign bodies, perforations, kinks will all result in some reflected energy. By Street, Cambridge (0223 66466).

Flying controls by DOWTY

Chesterham, England

displaying the echoes received on an oscilloscope the distances and relative magnitudes of the faults can be determined. Original use by CEEG was in inspecting the internal condition of condenser tubes in power stations, but it can be used to look at tubes having a wide range of lengths and diameters. Applications are expected in the non-destructive testing departments of the oil, chemical, processing and boiler making industries, and in pipe maintenance in general. More from 271, Popes Lane, Ealing, London (01-567 6388).

CONFERENCES

Refreshing the senior minds

CAMBRIDGE University Engineering Department plans to repeat a four-week summer school next year (September 4 to 30) aimed mainly at 35- to 45-year-old executives in the electrical and electronics industries who need refreshing and updating in advances that have taken place over the last 10 to 15 years.

Those in the telecommunications, computing and systems engineering fields should find the course useful, in particular if they have moved away from close involvement in scientific work to a broader field of management. Technical topics covered are not likely to have been treated in the participant's original degree course and will include the physics of the power electronic devices, mathematics, systems and control technology. Some time will also be spent, however, on economics, and energy conservation. Energy conservation will be an optional subject.

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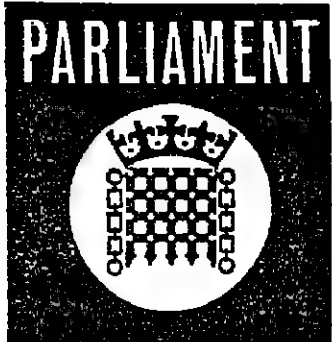
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Foot denies differences with PM on spending

By Justin Long, Parliamentary Correspondent

MR. MICHAEL FOOT, Leader of the House, yesterday criticised newspaper reports about Ministerial differences of view over the wisdom of further public expenditure cuts.

Many reports of a weekend speech by Mr. Peter Shore, Environment Secretary, had put his observations on spending cuts "out of context," Mr. Foot maintained in the Commons.

While Tory MPs rubbed Mr. Shore's weekend comments on TV that it would be a "gross set of folly" to increase unemployment by premature public spending cuts, Labour backbenchers wanted to insert their views into the controversy.

"Mr. Foot aware that many moderate MPs on this side of the House will oppose tooth and nail any further deflation either from tax increases or further public expenditure," said Mr. Christopher Price (Lab., Lewisham, W.).

Mr. Foot, replying on behalf of the Prime Minister during Mr. Callaghan's visit to The Hague, found he was handling a hot potato. He was not even sure which MPs could properly be described as moderate. Maybe the word should be outlawed, he suggested.

But the House still wanted to know whether other Ministers agreed with Mr. Shore on the spending cuts issue.

Mr. Shore's speech was, as usual, a "very wise and intelligent speech," declared Mr. Foot, and if his questioners studied it in detail they would see for themselves that it had many elements of common sense.

What Mr. Shore had done was to put the cuts already made into perspective. It was much better to have the subject discussed in that way rather than in the simplistic manner adopted on the other side of the House, said Mr. Foot.

Mr. Jonathan Aitken (Con., Thanet, E.) suggested that Mr. Foot and Mr. Callaghan differed in their views about the present public expenditure situation—if Mr. Callaghan's recent speech to the Labour Party conference meant anything.

Mr. Foot dismissed the idea. "I can assure Mr. Aitken that so far from there being the slightest margin of difference between the Prime Minister and myself, we are absolutely at one," he said.

Miners

Mr. Dennis Skinner, the Left wing Labour MP for Bolsover, turned the exchanges to other matters he plainly thought might yield more information. He urged Mr. Foot to support the miners' claim for earlier retirement.

"I agree that miners have a strong case for a reduction in retirement age," the Leader of the House said. "The Government is sympathetic to that view, too."

"But we have to proceed towards it in a way that does not destroy the social contract and to damage to the economic position of the country."

The Liberals switched the subject to devolution, and Mr. Jo Grimond claimed that under Government proposals, Scotland would be hopelessly over-governed.

With this criticism reinforced by complaints from the Scottish Labour Party MP, Mr. Jim Sillars, Mr. Foot spent a major part of this question-time period earnestly arguing that MPs should devote further study to the Government's proposals.

Time allocated for ship grants

A TIME LIMIT on applications for shipbuilding construction grants was announced by Mr. Gerald Kaufman, Industry Minister of State, in the Commons yesterday.

In a written reply, the Minister said that applications for ships delivered before December 1, 1975, have to be received by May 31, 1977, and applications for ship delivered in the year December 1, 1975 to November 30, 1976, must be received by November 30, 1977. After that, applications must be received within a year of the date of delivery.

Stricter security urged for Cabinet documents

By John Hunt

PROPOSALS FOR stricter security rules on the handling of Cabinet documents are proposed in a report from the committee of Privy Counsellors who were asked to investigate the matter following the leak of documents on the child benefit scheme in the summer.

In a written answer last night, the Prime Minister, Mr. James Callaghan, said the Government broadly accepted the report, and detailed consideration was being given to implementing it.

Mr. Callaghan added that despite exhaustive inquiries, police had not been able to discover the source of the child benefit scheme leak.

Healey hints at lower income tax

By John Hunt

A STRONG HINT of income tax reductions in the spring Budget was given by Mr. Denis Healey, Chancellor of the Exchequer, in the Commons yesterday when he hit back at the Conservatives, who had put down a motion of no confidence in the Government's handling of the economy.

But he made it plain that any cut in direct taxation would depend on the type of deal which the Government could make with the unions over the third stage of incomes policy.

He hoped it would be possible to reach decisions on the new pay round in time for it to be reflected in the income tax provisions of the Budget.

At the same time, he indicated that he was looking favourably at the possibility of increasing the rate of Value Added Tax. He argued that as 50 per cent of family essentials were zero-rated for VAT, it had now become a progressive tax.

Mr. Healey made no apology for the length of time being taken in negotiating the new loan from the IMF. He likened it to a bridging loan and said there was no question of the Fund seeking to impose a massive dose of deflation on Britain, or of enforcing a fundamental change in present Government policies.

On the question of reductions in public expenditure, the Chancellor warned that the cuts would not be painless. He also emphasised, however, that some of the "horror stories" in the Press recently bore little relation to the truth.

Unhappy

Looking to the future, he said the Government was thinking in terms of a national stabilisation programme covering at least two years, perhaps three. But he rendered out of context by many newspapers. What Mr. Shore had done was to put the cuts already made into perspective.

It was much better to have the subject discussed in that way rather than in the simplistic manner adopted on the other side of the House, said Mr. Foot. Mr. Jonathan Aitken (Con., Thanet, E.) suggested that Mr. Foot and Mr. Callaghan differed in their views about the present public expenditure situation—if Mr. Callaghan's recent speech to the Labour Party conference meant anything.

Mr. Foot dismissed the idea. "I can assure Mr. Aitken that so far from there being the slightest margin of difference between the Prime Minister and myself, we are absolutely at one," he said.

The Government believed it was essential to continue the

'Lame duck Chancellor'

SIR GEOFFREY HOWE, shadow Chancellor, accused Mr. Healey of being wrong in all his economic forecasts.

Despite the Government's promises, the reality was high and still rising, unemployment, and slow, still sagging, growth. It was no wonder the Prime Minister "has wrenched from the Chancellor the role of economic forecaster," Sir Geoffrey declared.

He claimed that the Chancellor would not restore the credibility of his office unless he acknowledged his mistakes. Tories voiced their support when Sir Geoffrey said that, unless Mr. Healey made a fresh start, he would remain "a lame duck Chancellor."

When he added that people would support the Chancellor if he was wrong in his measures, Mr. Eric Heffer (Lab., Walton) shouted: "Get a new script."

Sir Geoffrey continued that Mr. Healey's policies were dependent on borrowing huge sums of money wherever it could be found, and Conservatives had absolutely no enthusiasm for that approach.

The country was "sick and tired" of the endless cliff-hanger as the Government tried to reconcile the demands of the National Executive of the Labour Party with those of the IMF.

Sir Geoffrey asked: "When is the Chancellor, or the Prime Minister, going to disclose the contents of the letter of intent? When is he going to announce whatever package is going to emerge?"

"This really is the last chance, not just for this Government but

attack on inflation after the second pay round ended next summer in a way which would permit greater flexibility in wage bargaining.

"I hope it will be possible to reach decisions on this matter in time for it to be reflected in the income tax provisions of the next Budget."

"If, in the meantime, figures show we have over-estimated the size of the adjustments needed to bring the borrowing requirement down to the right level next year the necessary demand can be fed back into the economy by income-tax reliefs next spring."

Borrowing

The Government would be guided by the paramount need to give priority to manufacturing industry, and to maintain the relationship with the unions.

Mr. Brian Sedgemoor (Lab., Luton) intervened to ask if the Chancellor was saying there was going to be a shift from direct to indirect taxation. He wanted to know who was taking the conceivably be in such a suggestion.

Mr. Healey replied: "I am not suggesting anything in the nature of what you are saying. It was no longer true, he said, that indirect taxation was regressive and income tax progressive. In many respects, VAT was progressively other than regressive."

Unless we reduced the size of the public sector borrowing requirement, we would find that we could finance it only by keeping interest rates at levels which, if they persisted for any length of time, would gravely damage the Government's industrial strategy. It was he conceded, immensely difficult to forecast the size of PSBR accurately.

"We must aim at a steady and continuous reduction in the size of PSBR. It cannot be sought in an increase in direct taxation. The level of income tax is already dangerously high and is damaging our economic performance."

Mr. Healey said there was a strong case for tackling the problem of overlap between wages and benefits. At the moment this was feeding the backlash among the low-paid against the whole concept of a wages agreement. The social and political implications should be a real cause of concern.

"This is one of the many reasons for seeking to reduce the private sector that we must look for the restoration of health." The real threat was the size of the public sector. The conquest of inflation and control of the money supply were of fundamental importance.

Referring to written questions from Mr. Peter Best (Con., SE Derbyshire), he pointed out that in accordance with Fund practice on stand-by arrangements, the formal letter of application by the U.K. would include a statement on the

policy by the Conservatives. The "political stick" of a possible statutory incomes policy was needed to make a voluntary policy possible.

If the Government was not acting in the national interest, there should be a general election. But a third election in three years would only give the impression abroad that we were incapable of organising our political affairs.

A "programme of national recovery" would boost confidence at home and abroad and should contain agreement on boundaries between the public and private sectors and on pay limitation after August.

There should also be a concerted effort against wasteful public spending and a major review of the tax structure. Direct taxation should be reduced, and indirect taxation, including VAT, increased.

Liberal leader, Lord Campbell, said the Liberals had no confidence in an alternative

economic and monetary objectives and policies of the Government, quantified where appropriate.

One of the purposes of the present consultations with the IMF, said the Chancellor, was to reach a common understanding on the matter.

He made clear that the report on the U.K. economy

concerned the response of Treasury officials; would not be published. "Such reports are documents of the International Monetary Fund and are always confidential."

The committee found that in a number of Government departments, all memoranda and minutes of the Cabinet were circulated to certain people as a matter of course, irrespective of whether the subject matter directly concerned the responsibilities of the particular department. In some cases, access was also enjoyed by junior Ministers, certain senior permanent advisers and special advisers.

It does not seem to us that regular circulation of Cabinet documents can be justified unless those concerned have responsibilities which go beyond the policy boundaries of their own department," the report says.

Therefore, it recommends that Cabinet minutes and memoranda should not be shown regularly to anyone within a department except on the specific instructions of the Minister to whom the documents are issued.

The appointment is also suggested of a Cabinet documents officer in each department who would have responsibility for the security of Cabinet documents.

The committee sees the need for tighter procedures for the transmission of documents and the Cabinet Office should draw up comprehensive instructions on security procedures incorporating any of the committee's recommendations, which it accepts.

All's well with the men from the IMF

By Philip Rawstorne

MR. DENIS HEALEY's recital in the Commons yesterday of the report reached with the IMF suggested that the Government was about to sign a new social contract instead of a debtor's note.

There was no question the Chancellor asserted of the IMF attempting to force a fundamental change of policy down the Government's throat.

No question of the visitors from Washington bringing with them a massive dose of deflation.

On the contrary, the IMF team agreed full-heartedly with the Government's prognosis; commended its industrial strategy as the right recuperative treatment; and so admired the beneficial effects of its contract with the unions that it was recommending its adoption world-wide.

There were no divisions, Mr. Healey repeated, except in the feverish imaginations of the newspapers.

Like the Government the IMF believed that a two or three year "stabilisation programme" would be needed. And they were jointly concerned that any adjustments that had to be made should be done at once. "There should not have to be another bite at the cherry."

Mr. Healey did indicate that, even with the goodwill of the economic doctors, the cure could not be achieved altogether without pain. He hinted at further public spending cuts and VAT increases, though sugared with income tax concessions.

"The Government will decide," he concluded proudly. "The IMF will then decide whether the Government has decided wisely."

Whatever the physical reality, Mr. Healey's account of the Government's negotiations with the IMF certainly had a depressing psychological effect on the Conservatives.

If the IMF were not asking for blood, why would the listen to Sir Geoffrey Howe's surgical demands? Very few with any degree of enthusiasm, it appeared.

Sir Geoffrey's charges that the Government, having brought the country to its knees, now offered it only a diet of false expectations, roused only Labour laughter. "Nothing," he said, pointedly but ill-advisedly, focusing on the divisions in the Labour Party.

The IMF loan would bridge the gap in the Government's policies, Mr. Healey had said. But not even Mrs. Margaret Thatcher's heated intervention could disguise the holes in the Tory alternative.

UNLESS THE Scottish Assembly was elected by proportional representation, a majority of nationalists—returned on a minority vote—could feel they had a mandate to separate from the U.K., Lord Campbell of Croy (C.) warned in the Lords yesterday.

Lord Campbell, a former Scottish Secretary, who was ousted from his Commons seat by the SNP said "There must be no mistake about it. They are intent on the break up of the U.K."

Speaking in the resumed Queen's Speech debate, Lord Campbell said the Scottish and Welsh nationalists were aiming for independence—"the antithesis of devolution."

The SNP appeared to be supporting the Devolution Bill only as a first step to complete separation. It was important in any scheme for devolution to minimise any possibility of a clash between Westminster and Edinburgh, he said.

Lord Campbell argued that proportional representation had already been adopted in Northern

Ireland without prejudice to the situation at Westminster. The same could be done for Scotland.

He said: "Most people in Scotland would recoil from much of the prospect of an independent Scotland. But they do accept the need for some change in Parliamentary devolution to match the administrative devolution which has already taken place."

The Government's devolution proposals must be judged by the criterion of whether they would work and last.

Lord Elwyn-Jones, Lord Chancellor, said the Government was in no doubt that devolution was needed, but felt that the vast majority of people, not only in England, but also in Scotland and Wales, wanted the change to be made within the pure framework of the continuing unity of the United Kingdom.

The great majority of Scottish and Welsh people appreciated the advantages of remaining inside the U.K. and felt a deep and abiding attachment to it.

Too many people are held for months—often in overcrowded prisons—who are later acquitted or dealt with other than by imprisonment, Lord Elwyn-Jones, the Lord Chancellor, told peers yesterday.

He was outlining the proposals of the Criminal Law Bill, which was given a formal first reading, aimed at cutting the "intolerable delay" in the Crown Court system.

Lord Elwyn-Jones said that delay in bringing cases to trial was an increasing source of anxiety, and undermined respect for the law. He warned that difficult and unpopular measures

THE CAMBRIDGE BY-ELECTION

The Light Blues' polite placidity

WITH A bare 24 hours to go before polling, the claim of the grave and learned Mr. Robert Rhodes James that is fighting Cambridge as a crucial marginal seat has finally been abandoned. For the Tory candidate, it is a natural ploy when defeat would be as colossal a disaster as the loss of Worthington and Walsall North was last month for Labour, but the City has resigned itself to the inevitable.

Eighteen shopping days to Christmas is a more rousing summons than one day to voting, and the campaign has settled into a polite placidity that not even the dutiful clamouring of the three principal candidates can disturb.

Disillusion

Cambridge is, of course, everyone's idea of a safe Conservative seat. For all the spice imparted by a large under-graduate population, it is a prosperous and stable community, and veno no unemployment is tiny. Only twice since the war has Labour captured it—in the floodtide election years of 1945 and 1966; and 1976 most certainly is not one of those. Today, Labour is desperately struggling to hang on to second place in the teeth of a well-marshalled Liberal challenge; and the antics of the three fringe candidates do not conceal the deep disillusion with the Government in Cambridge as elsewhere in Britain.

The man with the unenviable task of trying to salvage something from the wreckage is Martin Smith, once a scholar at Sidney Sussex College, post-man and milkman, and now at 125, a teacher and chairman of the local Labour Party. He is a fair slice of normal Conservative voter, but it is a sign of his difficulties and of his seemingly tepid espousal of mainstream Government policy—that of the three main candidates, he spends most of his time on local issues. His biggest drawback may simply be that he is the wrong man for the hour. In 1974, as young left-wing lecturers and journalists were sent to Parliament, he would have been in his element. Now, all too easily he can be cast as the symbol of left-wing unreason which has undermined the Party.

That Labour will lose thousands of the 19,000 votes it won in Cambridge at the last General Election is not in doubt. Even

Tory peer sees PR as counter to Nationalist threat

He said: "Most people in Scotland would recoil from much of the prospect of an independent Scotland. But they do accept the need for some change in Parliamentary devolution to match the administrative devolution which has already taken place."

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Action planned on court delays

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Lord Elwyn-Jones said that delay in bringing cases to trial was an increasing source of anxiety, and undermined respect for the law. He warned that difficult and unpopular measures

would have to be taken to tackle this delay.

Society had to choose between two conflicting aims—the right of the citizen to be tried by a jury of his peers, and the right of the citizen to be tried by a jury of his peers, and the right of the citizen to be tried by a jury of his peers.

At present, people facing serious charges were suffering injustice because of long delay in their trials while the time of Crown Courts was taken up with cases of low value.

The Lord Chancellor said that the number of cases awaiting trial in Crown Courts had risen from 8,000 in early 1974 to 12,000 in September this year.

The situation in London Crown Courts was the most worrying with a backlog of nearly six



Mr. Rhodes James, the Conservative candidate, with Mrs. Thatcher and a Cambridge dustman.

justified. The Liberal hope is, as the Secreta that the licensee of the well-known Dog and Pheasant Inn, "Perhaps most significant, he known Dog and Pheasant Inn, may ever, are Mr. Rhodes James take some 3,000 votes from Mr. impeccable political connect Rhodes James with his anti-at home. A long-standing friend bureaucratic populism, but even of both Mr. Heath and M. that probably would not be Thatcher (whom he has known enough in an electorate of some 17 and 17 years respectively) he seems poised to bribe the high-calibre, younger his that the Party needs. As an intelligent and serious speaker, he manages to give predictions of the fate await the country, if it doesn't change its ways, positively Heathy echo. Hawkishness on public expenditure cuts and deflation is tempered by moderation.

The Tories, of course, are not complacent, for a low turnout is their biggest danger, and populism perhaps the one quality that the impressive Mr. Rhodes James lacks. Only now, his staff feel, is he really beginning to get his personality and dry wit across to the man in the street.

Commons Clerk

But as a parliamentarian, he will be formidably armed, with great experience and a distinguished background both in academics and administration. Not only a Fellow All Souls, he has also been a visiting professor at both Stanford University, California and NATO. He is an accomplished author and has just been granted permission by the Queen to write a biography of Prince Albert. He has found time to serve for nine years as a Clerk at the House of Commons, describing himself as a lover of the place even though he finds its present standards "depressingly low." Before leaving New York last July to return to British politics, he had served at the UN for five years, the last three as an executive.

Rupert Cornwell

Written Answers

TREASURY

MR. RALPH HOWELL (Con., North Norfolk). What is estimate of the percentage increase in VAT necessary to bring in an additional £1,000m, £2,000m and £3,000m to revenue?

Mr. Robert Sheldon, Finance Secretary. The standard rate VAT would need to be raised 21 per cent, 15 per cent and 18 per cent respectively. These figures are based on the basis of the cost to the Exchequer of VAT would cause considerable changes in the economy and estimates for them are correspondingly uncertain.

MR. DOUGLAS CRAWFORD (Scott. Nat. Party). What is the Government's estimate of the cost to the Exchequer of the proposed changes in the rate of value-added tax?

Mr. Robert Sheldon. About £70m in the full year, assuming the changes in the rate of value-added tax are applied to the classes of traders.

MR. DOUGLAS CRAWFORD. What is the current annual revenue to the Exchequer from the duty on spirits and wine?

Mr. Robert Sheldon. The 1976-77 budget estimate of duty receipts from spirits in the financial year 1976-77 is £700m. The duty on wine is £100m.

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FINANCIAL TIMES SURVEY

Wednesday December 1 1976

Iceland

The Icelandic economy is beginning to recover from one of the highest rates of inflation in Europe, while at the same time seeing international vindication of its decision to extend its territorial limits 200 miles offshore. But while relations with the EEC remain healthy, the Keflavik Nato base is still a domestic political thorn.

Living with new territory

By William Dullforce, Nordic Correspondent

THE ICELANDERS are again their favourite sport of bashing the British—or so it must seem to the distant water-lawyer of Grimsby and Hull. They have made it clear to Mr. Finn-Olav Gundelach, the EEC Commissioner negotiating with them on reciprocal fishing rights, that British vessels must stop fishing in their waters after today (December 1) on the expiry of the six-month agreement, which ended the third war between Britain and Iceland.

The Icelandic attitude is tough but understandable when put against the historical and economic background. Most of them feel that they are winning their full independence as a nation for the first time to-day, when at last they can claim exclusive control over their basic natural resource, the fish around their island. (Agreements with West Germany and Belgium are still in force but these cover mostly less valuable fish than the cod.)

Independence

After being for centuries a Danish colony Iceland gained political independence only in 1944. In 1901 Denmark made an agreement with Britain under which the fishing limit round Iceland was fixed at three miles with all fjords and bays wider than 10 miles open to trawling. That agreement was made against the wishes of the Icelanders and led to friction even then between the local inshore fishermen and foreign trawlermen.

There are just over 219,000 Icelanders. They live immediately south of the Arctic Circle on a volcanic island

103,000 sq. kms. in area, of which 12,000 sq. kms. consists of glaciers and 11,000 sq. kms. is dried lava fields. The cultivated area is 1,100 sq. kms., or just over 1 per cent. of the total land area.

The Icelanders are descendants of Norse seafarers, mixed with Celts from Scotland and Ireland. In this century it has been from the sea that they have won a standard of living only marginally lower than that of their Scandinavian cousins. Only 18 per cent. of them work in the fisheries but they provide three-quarters of the exports to pay for the imported goods without which that standard of living would collapse.

In October last year, having extended their fishing limits twice before, first to 12 and then to 50 miles, the Icelanders had the nerve to declare unilaterally a 200-mile exclusive fishing zone round their island. It gives them control of 748,000 sq. kms. of sea.

They said at the time that it would not be long before other nations, including those most fiercely opposed to their action, would proclaim their own 200-mile zones. Had the British Government been far-sighted enough, it might have spared itself the cost of a third cod

fishermen in EEC waters. This in fact Mr. Gundelach appears to be unable to do.

The Icelanders also feel that with their fishery experts demanding cuts in the allowable catch of the depleted cod and economists claiming that the fishing fleet has expanded too rapidly they have more than enough to do to reorganise their own fisheries.

In time, however, when feelings have calmed, longer-term views can prevail and the EEC succeeds in sorting out its internal fisheries policy, there could be a better chance of a fishing agreement with Iceland. The situation which comes into existence on January 1, when the EEC also moves to a 200-mile limit, reopens for the Icelanders the question of their future relations with Western Europe.

Iceland is a member of EFTA. She has a favourable trade agreement with the EEC, which only came into full effect last June, when the six-month fishing agreement with Britain allowed the ban on EEC imports of Icelandic fish to be lifted. Last year Iceland bought close to 45 per cent. of her imports from the Community, which in return took only about 23 per cent. of her exports.

BASIC STATISTICS

Area	38,710 sq. miles
Population	219,000
GDP	Kr.125bn.
Per capita	Kr.543,000
Trade (1975)	
Imports	Kr.75bn.
Exports	Kr.47.4bn.
Imports from U.K.	224.9m.
Exports to U.K.	516.2m.
Currency: Krona	21=Kr.304

fishermen in EEC waters. This in fact Mr. Gundelach appears to be unable to do.

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Income

Trade with the EFTA countries is closer to balance with roughly 20 per cent. of both imports and exports. Trade with the Soviet Union under a clearing agreement left Iceland with a deficit last year; she took close to 14 per cent. of her imports, mostly oil, from the Russians but sent only just over 10 per cent. of her exports in return. Finally, the U.S. is the biggest market for Icelandic fish, taking close to 30 per cent. of her total exports in 1975 while supplying less than 10 per cent. of her imports.

Britain was at one time the traditional export market for Icelandic fish and it was at least partly due to the successive conflicts and cod wars with the

British over-fishing rights that Iceland developed the highly lucrative American market. Some Icelanders would like to re-expand the EEC market, partly for political reasons, partly on the principle that diversification does no harm. The market they have in mind, though, is West Germany, which takes redfish and other species rather than the cod and haddock, which Britain wants but which also fetch good prices in America.

Then there is the Nato link. Iceland is in a strategically vital position, covering the approaches to the Atlantic for Soviet submarines, surface vessels and aircraft from the giant Kola military base. The Icelanders have no armed forces of their own but provide a reconnaissance base and listening post which form an essential part of the Nato chain. This function is effected chiefly from the Keflavik base operated by the Americans near Reykjavik, the capital.

Iceland's Nato membership has always been a controversial domestic issue. The Left-wing People's Alliance, has consistently sought to take Iceland out of Nato and was closest to achieving its goal, when it formed the previous government in alliance with the Progressive Party. The return to power in the 1974 general election of the pro-Nato Independence Party under the present Prime Minister Mr. Geir Hallgrímsson also in alliance with the Progressives, thwarted them and indicated that there was still a firm majority in favour of Nato. The Keflavik base agreement with the Americans was, however, revised to allow more Icelanders to be employed in operating the base, which is also the main civil airport for the island.

Talk against Iceland's membership always revives during a cod war, in some measure as an instrument of winning American influence against Britain but also because more Icelanders argue that there is little point in a defence alliance which does not protect Iceland's interests against one of her own allies. During this year's confrontation the government successfully contained the rise in anti-Nato sentiments, although there is currently a revival of what is known as "arbitism". This derives from Aron Gudbrandsson, a bond dealer, who has long argued publicly that Iceland should hire out the base to the Americans at its full market value.

Over the past few years the base has provided annually between 3½ and 6 per cent. of Iceland's foreign exchange earnings and at present provides work for just over 2,000 Icelanders. Under the new agreement the Americans have undertaken to spend \$30m. a year over the next two years in improvements to the airport.

Recently the Russians have been showing greater interest in Iceland, stepping up calls by fishing and other vessels, increasing the number of visits by Soviet scientists and opening an office for the Novosti news agency. This development causes concern among some members of the government, as does the growing evidence that with the general build-up in their naval power the Russians are seeking to shift the front-line for their maritime defence beyond Iceland into the Atlantic. Some leading Icelanders read the situation as underlining the need to maintain close links not only with the U.S. but also with Western Europe.

In the immediate future, however, the main preoccupation of Mr. Hallgrímsson and his Progressive partners is likely to be the economy and domestic politics. This year the economy has shown the first tentative

signs of recovery from the profound setback which set in soon after the international oil crisis in 1973. It led to two devaluations of the krona, the sharpest rate of inflation in Europe and significantly lowered Icelanders' real disposable incomes.

As always with Iceland the basic causes of this setback were external, but Mr. Hallgrímsson's Government has so far had only partial success in bringing into effect the internal counter-inflation measures needed. It is now facing a serious test of its ability to provide the decisive action which its safe majority in the Althing (Parliament) warrants.

Inflation

If the continuing very high inflation rate is finally to be curbed, the new national wage agreement due to come into effect in May must restrict income rises. However, inflation itself, the real fall in Icelanders' living standards and discrepancies among income categories have stoked up the demand for substantial wage increases. This demand is reinforced by the improvement in this year's export prices, an improvement whose staying power has yet to be proved.

Mr. Hallgrímsson has set up a special committee, including representatives of all the political parties, the unions and employers, to examine the causes of Iceland's excessive inflation and to prescribe remedies. The committee—as much a political as an economic exercise—aims at achieving a consensus in favour of a tough line on wage increases.

The Independence Party which is most accurately described as liberal/conservative, holds 25 of the 60 seats in the Althing and governs in coalition with the second largest party, the Progressive, which has 17 members and whose electoral base is in the Co-operative Movement and among the island's farmers. The Progressives are led by Mr. Ólafur Jóhannesson, Mr. Hallgrímsson's predecessor as Premier.

The coalition is an uneasy one. Recently there has been speculation that the Independents would like to sever the tie with the Progressives and seek instead a coalition with the People's Alliance (11 Althing seats) and the Social Democrats (3), who have greater influence in the trade unions.

It is probably too early for such a move but Independence Party tacticians undoubtedly have their eyes on the next general election due in 1978, when they hope to renew their mandate and when the prospect of a change in the coalition could promote their chances. Closer co-operation between the Independents and the People's Alliance could result in a more concerted economic and labour market policy but it would also call for some interesting compromises over Iceland's link with Nato.



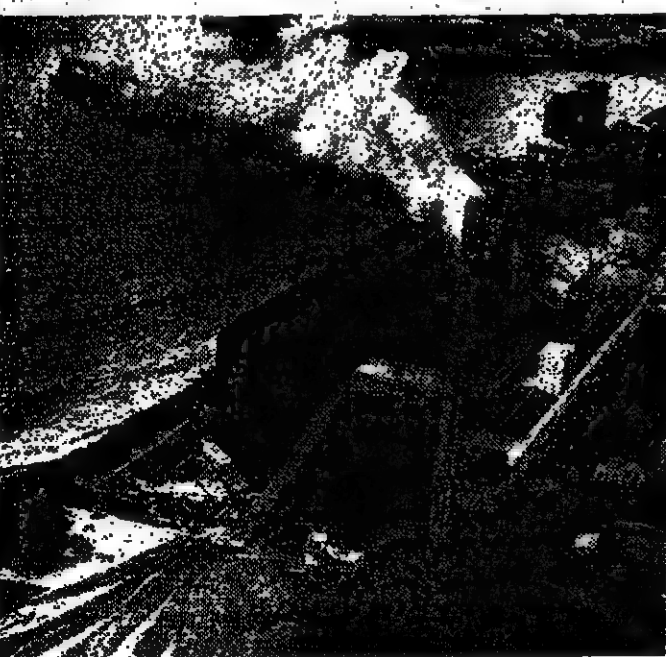
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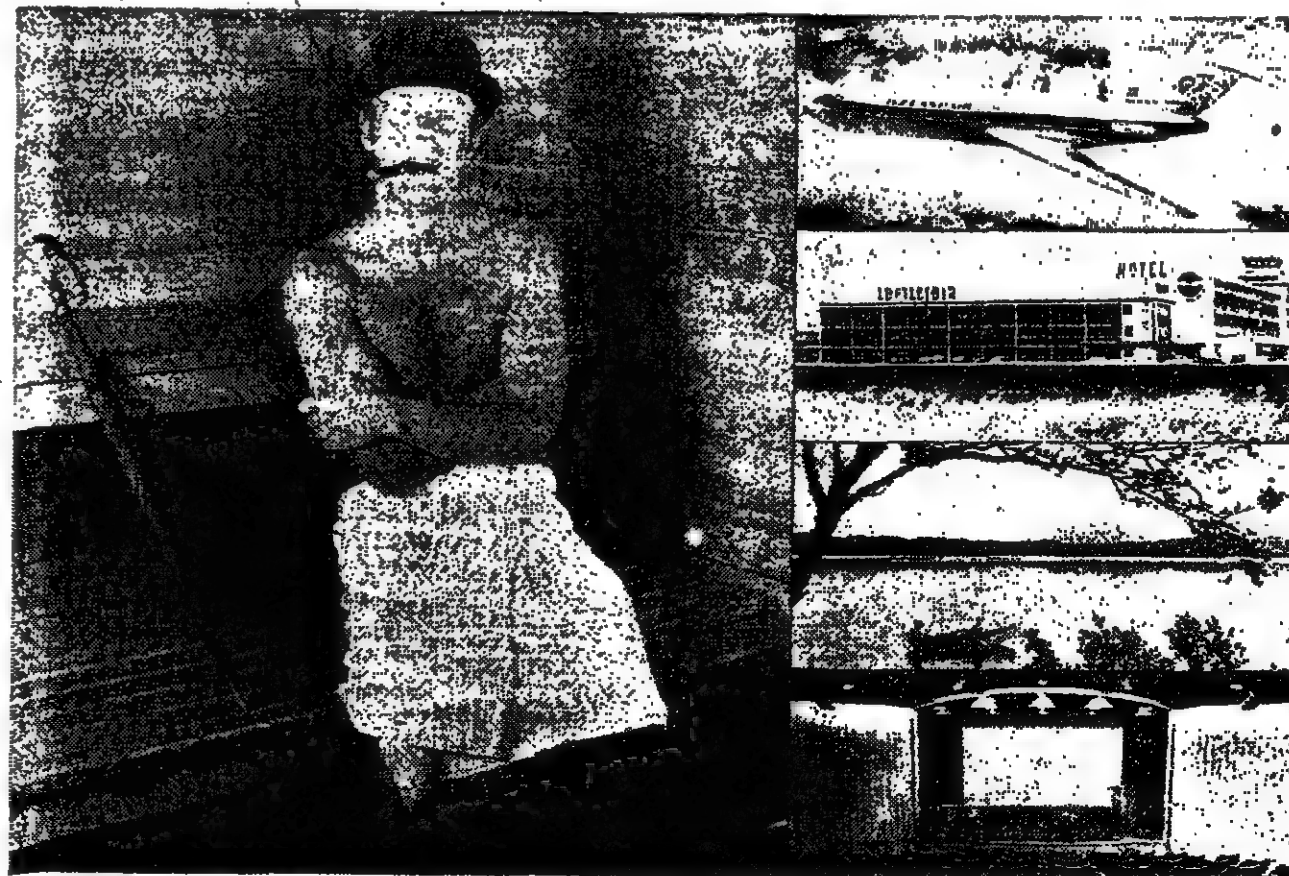
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ICELAND'S ECONOMY turned the corner this year. It has been flashing recovery signals after two traumatic years in which the current account deficit reached crisis proportions, the krona was devalued twice, GNP declined sharply and inflation hit annual averages of 54 per cent in 1974 and 37 per cent last year. This year the improvement on current account has beaten expectations. Gross national income, boosted by a favourable switch in the terms of trade, should rise by close to 2 per cent. Government efforts to restrain public spending are beginning to bite. Almost incredibly, Iceland has kept near full employment throughout the recession.

Optimism must, however, be tempered with caution. Not all signals are flashing go and the economic equilibrium is always difficult to attain and hold in Iceland, which is so heavily dependent on the demand and price fluctuations of foreign fish markets. The payments situation is not yet stabilised and the most disappointing factor of all—the rate of inflation will remain over 30 per cent on an annual average basis this year.

The recently appointed government committee of inquiry into the problem of inflation, which is due to report in February, could be the most influential factor in stabilising the economy over the next couple of years. There is much unrest on the labour market, demonstrated by the sporadic strikes of recent weeks, and there exists a strong pent-up demand for real income improvement. The current wages settlement expires in May and, if inflation is finally to be curbed, it is essential for the unions and employers to agree on only moderate wage increases for the next period. Both are represented on the government committee along with all the political parties.

Early in the summer the government was forecasting a fall of 2.2 per cent in the GNP this year following a decline of 3.9 per cent in 1975. Last month the National Economic Institute expected the fall in GNP to be no more than 1 per cent, which with an average improvement of 10-12 per cent in the terms of trade, would give

a rate of growth of over 2 per cent in real national income.

The most significant improvement has occurred in the balance of payments. Export production has probably grown by 4 per cent this year, due to a slight rise in the fisheries output and a considerable increase in aluminium and other manufactures. The export of goods and services is expected to show an improvement of 6-7 per cent, while the reduction in imports should be close to 3 per cent.

At the same time export prices have risen by 17-18 per cent against a much lower growth of 5-6 per cent in import prices, leading to an improvement in terms of trade of 10-12 per cent against deteriorations of 11 per cent in 1974 and 15 per cent last year. Iceland's terms of trade are thus still far from their 1973 level but it should be recalled that in that year foreign exchange prices shot upwards by about one-third.

Budget

The current account deficit looks like turning out at some \$60-65m. this year or 4-4½ per cent of money GNP against 11½ per cent last year, when the deficit was \$140m. Earlier in the year the government was budgeting on a deficit equal to 7 per cent of GNP. The improvement is partly due to the growth in prices and demand for fish products and partly to larger deliveries of minor exports such as diatomite and sheep products, but also to heavy sales of aluminium from stocks by the Alusuisse plant at Straumsvik. The aluminium picture is now more uncertain, so that there is a question whether the underlying balance has improved as much as the figures suggest.

The foreign reserves have risen sharply because Iceland has continued to borrow heavily abroad. The central bank's foreign exchange assets rose from \$47m. at the end of 1975 to \$91m. by the end of September. Part of the borrowing was needed to cover capital imports for power development projects, whose requirements will taper off next year. Foreign borrow-



ing this year will probably be roughly equal to that of 1975, when the total was just over \$100m.

The foreign debt at the end of June was \$427m. and the debt repayment including interest in 1976 was expected to be as high as 17 per cent of the improved gross export income against just over 14 per cent in 1975. These figures do not include the IMF debt of 60.8m. SDRs.

Iceland, it is evident, has borrowed very heavily abroad over the two last years both to meet its deficit and, it must be said, to maintain employment. A fair proportion of this borrowing has, however, gone into export-promoting and import-substitution investments, chiefly in the energy field.

In this respect Iceland has been remarkably successful in reducing its dependence on fuel imports since the 1973 oil crisis. This year it will import some 400,000 tons of fuel oil from the Soviet Union, against 472,200 tons in 1974, which was already 5.5 per cent lower than in

1973. The forecast for next year is a further cut to 380,390,000 tons. The import cuts have been due to an extension of the communal heating systems fuelled by the island's geothermal resources. The proportion of the population using geothermal heating in their homes has risen from 45 per cent in 1973 to 53 per cent last year and is due to reach 77 per cent by 1985.

The payments balance remains a problem, the main question being whether Iceland can continue to reduce its foreign deficit without a further improvement in the terms of trade. Central to the turnaround this year was the development of the terms of trade accompanied by the fall in investments and zero growth in private consumption, all of which was taken into improving the payments balance.

However, for the immediate future the major preoccupation of government economists must be the rate of inflation, for there is obviously still too much

steam in the economy. Inflation is to some extent endemic in Iceland and the economy must be adapted to a 10-15 per cent rate, roughly double that of the rest of Europe. But now the fastest growth is to bring it down at least to the 25 per cent level this year, faster than the increase in inflation in 1975.

The National Economic Institute believes that the thrust behind the price increases this year stems from the carryover effects of the imbalances created by the extraordinarily high inflation of 1974 and 1975. These forces, it argues, are still working their way through the system. Increases in nominal incomes were not the major cause of the 1976 inflation, it

But, if any incomes settlement is to some extent endemic in Iceland and the economy must be adapted to a 10-15 per cent rate, roughly double that of the rest of Europe. But now the fastest growth is to bring it down at least to the 25 per cent level this year, faster than the increase in inflation in 1975.

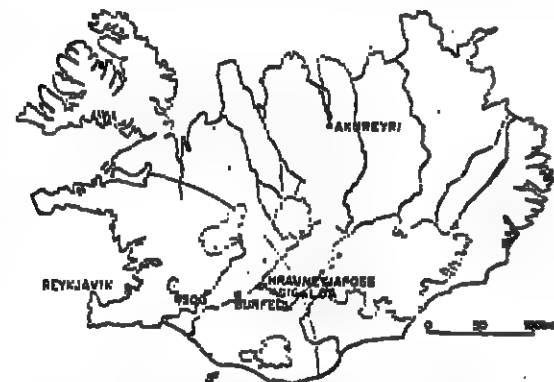
Balance

Both the Finance Ministry and the National Economic Institute expect the Treasury to be in balance this year after showing a deficit of some 1,100m. last year. By the end of October the central government's accounts were running a deficit of 1,100m. compared with a deficit of 1,420m. at the corresponding time last year. The Institute was forecasting an approximate balance on a cash basis for the year as a whole against a deficit of 1,100m. in 1975.

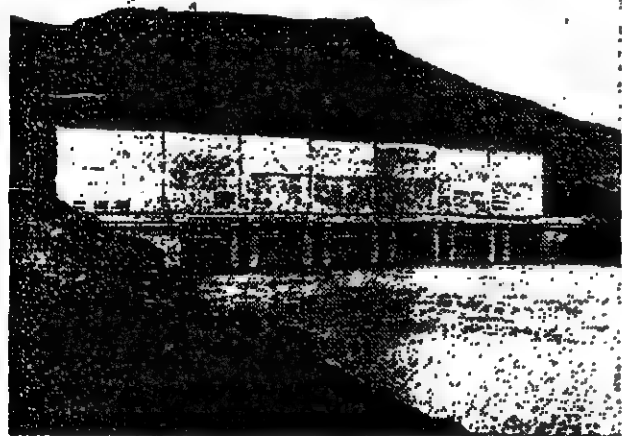
The government has already shown some determination to extend to the end of next year the "special" taxes levied originally for six months from the middle of 1975. The rate has also been raised from 10 to 18 per cent. There will be considerable cuts in public investment next year and overall spending will show for only minor increases in volume. The government is also exercising much tighter control on the investment loan funds and strict surveillance of the semi-autonomous government agencies.

To sum up, Iceland has experienced this year a modest recovery which has shifted the emphasis in the economic policy from defence of the current account to curbing inflation. Much will depend on the kind of incomes settlement reached and on the continued strength of the export demand but the government does seem to be getting its credit policy and budget controls into gear at the right time. If the need for curbing inflation is not met by a negative item, it must be outweighed by the opportunity for better management of the fisheries offered by the introduction of the 200-mile fishing limit and the virtual exclusion of all foreign fishing.

The National Institute is tentatively forecasting a rise of 1-1½ per cent in GNP next year, a rise in private consumption for the first time in three years of 3 per cent and a somewhat smaller increase in public consumption. With the current balance remaining more or less unchanged in real terms the improvement in the terms of trade is expected to reduce the deficit to 2-3 per cent of GNP. The rate of inflation should fall sharply towards 20-25 per cent in the first months of 1977 but its subsequent movement, the Institute says, will be a "wildly dependent on the general wage agreement".

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The Power Station at Burfell (240 MW).



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Landsvirkjun (The National Power Company) is a power development company established in 1965 by the Republic of Iceland and the City of Reykjavik. Landsvirkjun is supplying about two-thirds of the population in Iceland with electrical power besides being the main supplier of power to industrial development in Iceland. At the outset Landsvirkjun took over the Hydro Power Stations at Sog (89MW) and in 1972 completed the Burfell Hydro Power Station (240 MW) and is presently completing the Sigalda Hydro Power Station (150 MW). Landsvirkjun has furthermore completed the planning of the Hrauneyjafoss Hydro Power Development (210 MW) which is approaching the bidding stage.

Landsvirkjun has since 1969 been supplying power to the 75,000 ton aluminium smelter at Straumsvik in Iceland owned by the Icelandic Aluminium Company Ltd., a subsidiary of Alusuisse, Switzerland. Other industries are being developed in conjunction with the power development of Landsvirkjun.

Iceland has very large unused resources of economical hydroelectric power which can be made available to industry on a long-term basis.

For information write to:

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UP TO the time when the first British soldiers stepped on shore in Reykjavik in May, 1940, to occupy Iceland during World War II, the country had been an innocent society consisting of farmers and fishermen. Today it is a modern, western society, basing its well-being not only on fishing and the fishing industry, but also on industrial production. There are no mineral resources to be found in Iceland, but the country is nevertheless extremely rich in harnessable hydro and geothermal energy.

Icelanders have not yet made up their minds about what they will do with this abundant energy, which either comes from the many glacial and clear-water rivers or spouts up as a result of volcanic activity just beneath the island's surface. Iceland suffers from the fact that no Government, either past or present, has come up with any clear cut long-term energy and industrial policy, which reflects the fact that Icelanders do not agree among themselves what to do with the almost boundless reserves. Most people agree that the hydro and geothermal sources should be harnessed and used to make electricity for power-intensive industry, but the argument is whether Iceland should admit foreign investment into the country to build industrial plants or let the State do it all by itself. Up to now the national economy has been heavily dependent on the fishing industry, but it is an accepted fact that the country must try to diversify its economy.

Feasibility

Industry in Iceland is at the moment mostly on a small scale geared for the local market, but in recent years the industrial sector has tried to secure larger and larger export orders, especially for fish products, wool and skin goods. Rising oil and energy costs in the world has made it feasible for Iceland to plan an intensive industrialisation programme.

According to Mr. Halldor Jonatansson, the deputy general manager of Landsvirkjun (the National Power Company) the technically and economically harnessable electrical energy from hydro and geothermal sources in Iceland is estimated to be not less than 10,000 Mw of installed capacity assuming 5,000 hours of utilisation per year and taking into account ecological considerations. The electrical energy production in 1976 is estimated at about 500 Mw which shows that presently only some 5 per cent of the minimum electrical energy potential has been harnessed. For the acceleration of electrical power development in Iceland some power intensive

industry has already been established in the country with the participation of foreign investors, but the future trend in this respect is of course subject to the Icelandic Government's policy from time to time.

The power-intensive sector in Iceland is still very small. Cement and nitrate plants have been in operation for years, owned by the State. A diatomite plant at Lake Myvatn, owned jointly by the U.S. Johns-Manville Company and the Icelandic Government, mines the rich diatomaceous deposits on the bottom of the lake; its annual output is about 24,000 tons. The Swiss Aluminium Company owns an aluminium smelter company—ISAL—just outside Reykjavik, which produces about 75,000 tons of aluminium annually. The Swiss-based company plans to enlarge

the smelter factory but had market forecasts in September forced the company to postpone the plan.

A ferroalloy plant is under construction in Whale Bay. The plant was to be a joint U.S.-Icelandic venture, with the Union Carbide Corporation owning 45 per cent and the Icelandic Government 55 per cent of the stock. However, Union Carbide backed out, paying Iceland \$4.6m. in compensation, because it felt that world markets for ferroalloy did not look promising. Iceland then turned to the Norwegian company Elkem Spigerverket AS, which will join the venture as 45 per cent owner, and will market the production. Dr. Gunnar Sigurdsson, chairman of Iceland Alloys, said that this will be a two-smelter plant, producing 50,000 ton of 75 per cent ferro-

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ICELAND III

Growing tourist appeal

ICELAND—EUROPE'S second largest island—is off the beaten track geographically, but it is very much a part of the Western community. Located 9th and 10th centuries by a mixed stock of Norsemen, mainly from Norway, and Celts from the British Isles, who were brought along as slaves. The ruling class was therefore Nordic and the language is the closest of the Scandinavian languages to Old Norse, but the genuine Icelandic love for his story and poetry is believed to be a heritage from the Celts. The early blending of Norse and Celtic may partly explain why Iceland is Europe's best salmon fishery and to escape from the boardroom, if only for a week. The tourist wants to see the hot springs, lava fields and glaciers and to explore the land where the Viking Sagas were written centuries ago.

The nature-lover visits Iceland because of its naked interior, rare birds and semi-arctic fauna. The business manager in Europe's best salmon fishery and to escape from the boardroom, if only for a week. The tourist wants to see the hot springs, lava fields and glaciers and to explore the land where the Viking Sagas were written centuries ago.

Sparse

Due to the fact that Iceland is the most sparsely populated country in Europe, with about two people per square kilometre, it is becoming a favourite resort for people living in the overpopulated and polluted cities of both Europe and North America. It is a volcanic island with about 130 volcanoes, of which about 30 are still active. The island is largely uninhabitable land, consisting of lava fields, glaciers, lakes, sand and other wastes—a truly polluted terrain.

The population lives on the narrow coastal belt with about 85 per cent in towns and villages. The capital, Reykjavik, has a population of about 90,000. Foreigners visit Iceland mostly from the middle of May through September, during the period of bright nights, when time hardly seems to matter and the sun

even never sets. A cross-country photo safari in four-wheel-drive vehicles is a unique and unforgettable experience.

It encompasses some of Iceland's 11 major glaciers, the largest being the Vatnajökull (8,456 km²), the world famous Hekla and Katla volcanoes, the hot spring Geyser, and countless other hot springs and spouting geysers of every size and shape—not forgetting old and new lava fields. One does not have to drive far into the highlands to feel totally alone, so much so that tourists have been heard to claim that one could not be more alone on the moon.

Visiting fishing towns and villages is also an interesting experience. Almost everybody, including the very young and the very old has to work in the fishing industry. Most school-children above the age of 12 get a summer job in the freezing plants or the fish meal factories, playing their part in the hard fight for existence in Iceland, which bases its economic survival on the already overfished fish stocks off the island's 3,700 miles coastline. The most interesting fishing town to visit is on Westmann Island, off the south coast. It was almost completely ruined by ash and lava during a volcanic eruption in 1773. Now almost totally rebuilt, it has been likened to a modern-day Pompeii.

Salmon fishing in Iceland is mostly for the rich. Every summer during July and August, many national leaders such as President Kekkonen of Finland, royal heirs such as Prince Charles, business leaders, famous actors, bankers, generals and politicians come to Iceland to fish salmon in one of more of its famous clearwater rivers. They spend a few days in the fishing valleys, where they can fish all by themselves, away from telephones and televisions.

The Icelanders are used to these visitors, who usually farm which costs £375 from



Not the horrors of Heimaey Island, but a major tourist attraction—the aptly named hot water springs at Geysir.

spend a great deal of foreign currency on fish permits, upkeep, transportation and other expenses. They leave the visitors alone. If their paths cross, the visitor is hardly ever asked for his name or title.

"Fishing in Iceland's beautiful rivers is the only relaxation I experience every year," says a President of a large multinational company, who comes every summer in his private executive jet, along with a few friends. For the less affluent Icelandic offers a number of package tours, including a 13-day safari camping tour with full transport and board, tent and guide services at a price of £348 from London to £483 from Frankfurt. Bird-watchers can get four days in Akureyri in the north of the island, including two nights in Reykjavik, for £230 from London and £297 from Frankfurt. Or there is an eight-day holiday on an Icelandic horse farm which costs £375 from

Salmon

Reykjavik has much which is different to offer the tourist. There are outdoor swimming pools heated by water from hot springs. One of Europe's best salmon rivers is right in the middle of the city. Its central heating system uses cheap,

over 120 tons of knitted woollen clothing was exported for about \$1.1m, but this year it is expected to reach 340 tons, valued at around \$7.5m. Last year, Iceland also exported 550 tons of a popular hand-knitting woollen yarn and blankets. The markets for this are mostly in Western Europe and North America, and the largest producers are Alafoss, Samband of Iceland, Hilda and Eider Knit (which also owns a wool factory in the Glasgow area).

Icelandic sheep and lamb skins are also an important export item. Skins are exported both semi-tanned and fully tanned. A spokesman for the Export Board said that the goal is to double the export of wool and skins within the next three years from a value of \$13.4m. In 1975 to \$26.8m. In 1978, it has increased. In 1970, just

possible. It is planned that within a reasonably short time, 80 per cent of all houses in Iceland will use geothermal heat and the remaining 20 per cent electrical heating systems. The only need for oil in the near future will be for transportation and fishing.

Ever since Iceland was settled some 1,100 years ago, Icelandic wool and woollen goods have been known as high quality products, both on the Continent and in Britain. "Even though the ways of commerce have changed," said a spokesman for the Export Board of Icelandic Industries, "Iceland is still heavily dependent on external trade and its wool." It was not until the early 1960s that manufacturing of Icelandic woollen clothing for export started and since then demand has increased. In 1970, just

Energy

CONTINUED FROM PREVIOUS PAGE

silicon annually after 1980. The first 25,000-tonne smelter will be ready for production in the middle of 1979, and the second in 1979-80, total basic construction cost is now estimated to be \$40m. The new Nordic Investment Bank in Helsinki is considering an application from Iceland for an extensive construction loan for the plant.

Iceland, which has close ties with Norway, is interested in entering into further joint industrial operations with the Norwegians. Norsk Hydro has shown great interest in constructing a 100,000-200,000-tonne aluminium plant on the Icelandic north coast, close to the industrial and commercial town of Akureyri. This idea has already caused some controversy among left-wing groups and conservationists.

"It is possible to operate two or three large aluminium plants in Iceland, plus other mineral smelters and chemical plants," says Mr. Ragnar Halldorsson, managing director of the ISAL aluminium company. The electricity for the ISAL plant comes from the 210MW Burell Hydro electric station, which is about 150 km east of Reykjavik. The power for the ferroalloy smelter will come from the Sigalda power plant, which will produce 150MW when it is completed shortly. Both the Burell and Sigalda power plants are wholly owned by the National Power Company, which is a 50-50 partnership between the Government and the City of Reykjavik. The next plant, which is still on the drawing board, will be the 210MW

Hrauneyjafoss power plant. It is expected that bids for work on this will be issued early next year.

Iceland's first geothermal power plant is being constructed in the north of the country at Krafla; it will produce 60MW. Its power will exclusively be used for the north coast area, which has suffered a serious shortage of electricity during the last two or three years. The Krafla project is a controversial issue in Iceland, cutting across political lines, because of its location in a volcanically active area and because, after drilling nine holes of between 2,000 and 3,000 metres each into the earth's crust, there is still a shortage of geothermal steam to drive the two Mitsubishi turbines. The lack of sufficient steam will probably delay the project, which otherwise would have been ready at the beginning of next year. The Krafla project is a pioneering scientific venture, giving Icelandic scientists valuable experience in harnessing geothermal energy.

Increasing

The geothermal central heating industry in Iceland is now estimated to supply 55-60 per cent of all houses in the country. In the next few years, this percentage will rise rapidly, saving expensive imported oil. Iceland has imported most of its oil from the USSR, and it owes the Soviet Government large sums of hard currency, a debt which most Icelanders would like to pay off as soon as

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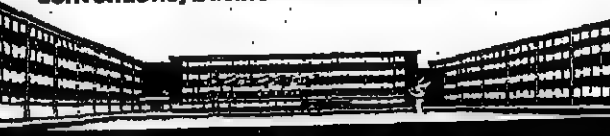
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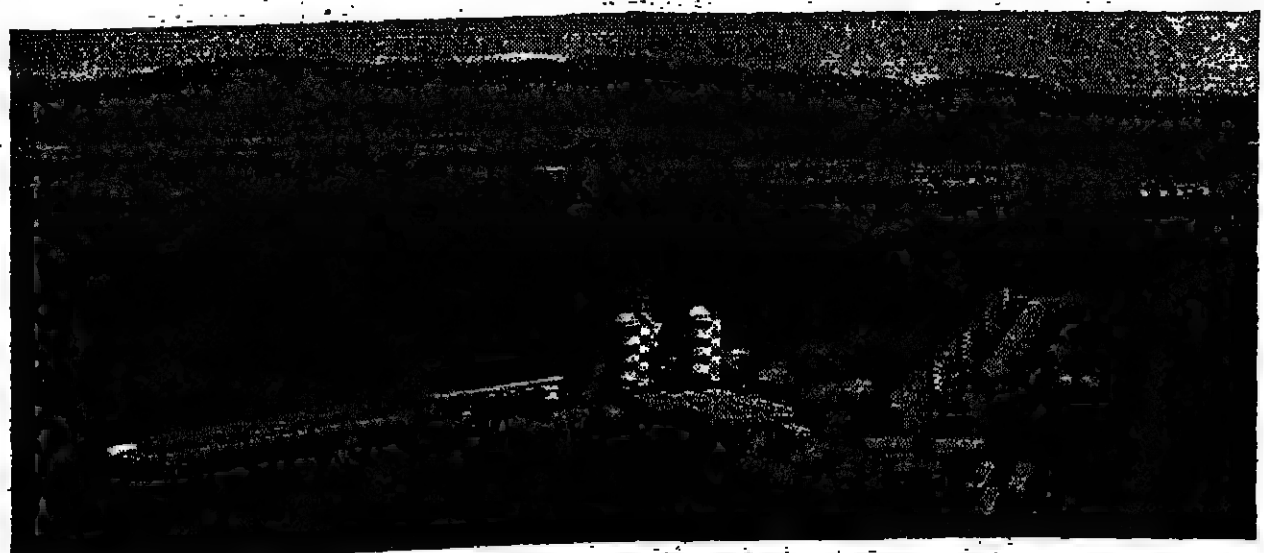


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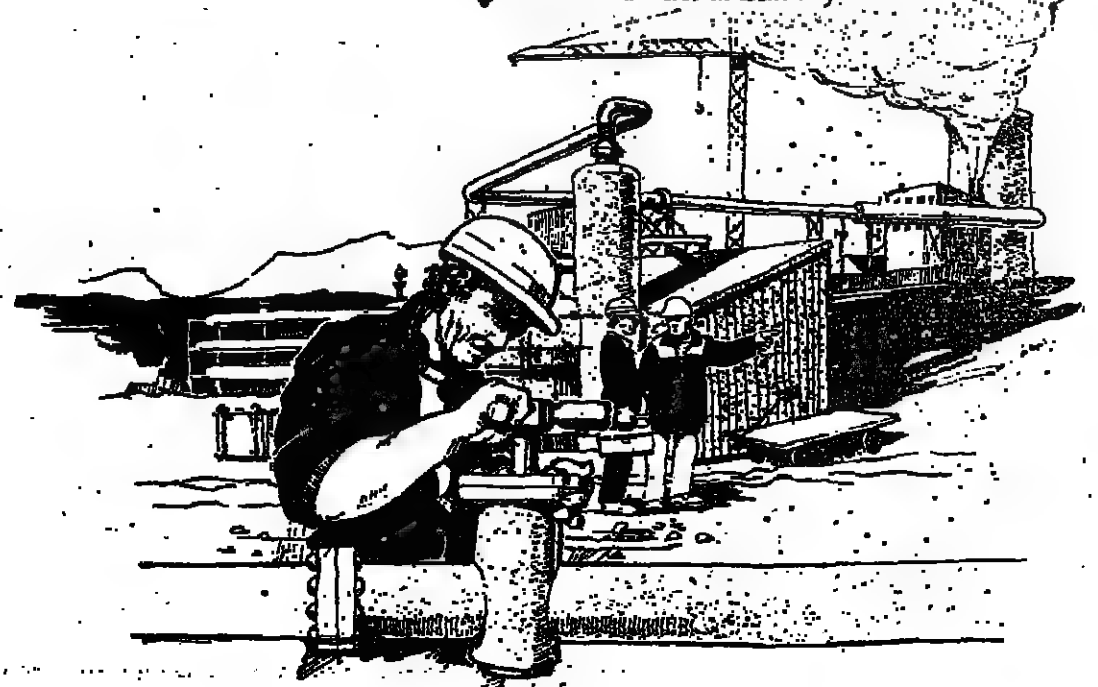
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LANDSBANKI ISLANDS

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The Management Page

EDITED BY JOHN ELLIOTT

John Elliott reports on an academic post intended to improve the way that companies manage all their design resources when developing their products

Professor for a new discipline

TOO MANY British-made products fail to sell well overseas, not because they are too expensive but because they lack what is sometimes called fitness for purpose. In other words, they are badly designed. This is not a new discovery, but it is a weakness which has been highlighted by a number of recent studies conducted by the National Economic Development Office and others.

Now the Design Council, with the encouragement of the NEDO, is trying to foster the idea that at the heart of the problem is the fact that most companies fail to manage their product design properly. The council has helped to set up the first Chair in Design Management at the Royal College of Art with an £84,000 seven-year grant from the Wolfson Foundation and to-day it is announced that the man to fill this professorial chair will be Mr. Brian Smith, former chairman of P.A. Management Consultants.

Develop links

Mr. Smith, 57, spent his early years in production engineering before he joined P.A. 27 years ago. He is vice president of the Royal Society of Arts, a member of the Design Council and a past president of the Institution of Engineering. The job of the professor is to develop links between designers and industrialists and to establish within two or three years a post-graduate masters' degree course in design management at the college. It is hoped that the degree will be taken by an equal number of people from management and design backgrounds who would then move into design management careers.

Mr. Smith starts his new job on January 1 with the intention of causing design management to be recognised both as an academic discipline and a necessary managerial function. At present, however, it suffers from the fact that many people may think that trendy packaging and logo designers are trying to claw their way into management positions. Indeed it is true that industrial designers are using the current debate as a platform from which to try to boost their professional status.

The job of design management however is far wider than that of the industrial designer and it is partly for this reason that a management consultant has been appointed to the professor's chair. About 20 people applied for the £23,347 a year job and the final choice was made from a short list of six who included an engineer, an industrialist, a designer, business studies academic, and an administrator.

It had been assumed that a designer would be given the job but it is now recognised by the organisers that a man from a management background, working from the Royal College of Art, has more chance of success despite the reservations with which management consultants are sometimes regarded in industry.

First Brian Smith has to define for a somewhat sceptical world precisely what design management is. He has not yet finalised his definition but he starts by saying: "Design management is the management of



Mr. Brian Smith seen outside the Royal College of Art where he has been appointed to be Britain's first professor of design management.

the production and industrial all design resources in the company right through from product planning to the whole design team which includes the marketing man, the research and development engineer, the product engineer and the industrial designer himself. In the same way as there are managers for resources such as finance, personnel, and purchasing, so there must be a manager for innovation, bridging the gap between the designers and the producers. . . . Designers say they are not properly understood so products are bad and do not sell well abroad, while

organisation," probably run by a director of design. He quotes Philips, IBM and IIT as companies widely recognised for doing this job well and for reaping the benefits.

"It is all a matter of bringing together all the skills, including highly specialised ones such as people experienced in patents and copyrights, market research, safety and reliability and production engineering. But you cannot define precisely the limits of design management because at one end you have Mary Quant or Terence Conran who are in the business of designing for fashion and aesthetics while at the other are builders of nuclear power stations and aero engines where design needs an extremely high content of technological engineering.

Between these extremes, are masses of firms producing kitchen equipment, machine tools, boots and shoes and other goods and in every case the requirement of design management will vary.

One fault

"It's not only a matter of having good designers or good research and development engineers. Their work has to be turned into products and the managerial co-ordination of all this is not done well at present," adds Mr. Smith quoting some recent academic research which, he says, shows that one fault in Britain is that industry does not spend the £12 on tooling, pilot products and new plants that is needed to back up every £1 spend on research and development.

Perhaps because of his background, Mr. Smith is even-handed on the issue about whether companies should have industrial designers on their staff or employ outside consultants. "It's the same issue as management consultants," he says. "You need the design consultant for expert work—say on the use of polymers—but that doesn't mean you subcontract all your design any more than you subcontract all your management."

Mr. Smith is cautious about how fast he will be able to produce positive results and talks in terms of spending his first year as a professor on research without building up a big college department. It will be a year during which a lot more will be heard about the need in Britain for industry to manage its innovation work more effectively.

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PENSIONS
and BENEFITS

Independence of the trustees

BY ERIC SHORT

LAST WEEK'S news that Automatic Oil Tools, an electronics company facing liquidation, had failed to pay members' pension contributions to its pension fund managers brought home the fact that management of pension schemes is not necessarily straightforward or uncomplicated.

Employers and trade unions usually negotiate a scheme together and decide on the level of benefits and the apportionment of contributions. But the running of the scheme is the responsibility of the trustees and not the company itself. The trustees' responsibility must at all times be towards the members of the scheme and if necessary they must be prepared to stand up against the employer.

This is one of the reasons why the Government is proposing to legislate for 50 per cent. member participation through recognised independent trade unions on all pension scheme Boards and why the pensions industry proposes that member representatives are elected by the members. The interest of members must not only be placed first, but be seen to be placed first and it is doubtful whether this can be achieved if the company appoints all the trustees. This is because there would always be a temptation for employers to appoint trustees who will acquiesce to the company line even if this goes against members' interests.

The responsibilities of the trustees are to administer the terms of the trust deed. The deed itself may restrict some aspects of the pension fund's policy, such as imposing investment limitations, or it may allow a lot of latitude. It is up to the employer and the trade union negotiators to ensure that members' interests are paramount in the translation of the trust deed into the working of the scheme.

Confined

Most trust deeds for example do not specifically impose a duty on trustees to check that contributions have been paid to the pension fund manager. The deed is usually confined to specifying the rate of contribution. But trustees, in fulfilling their responsibilities, have to ensure that the scheme's assets are sufficient to cover the benefits, and this cannot be done unless they are sure that the pension fund manager is receiving the contributions to invest.

A point to emphasise here is that the trustee often has to interpret the trust deed quite widely in order to ensure that members' interests are fully protected at all times. This should include being informed that the members' contributions have been collected by the employer and passed on to the fund manager. Trust deeds are complicated legal documents and to be able to fulfil their responsibilities, trustees need access to expert guidance.

There are several sources available to a trustee, the first being a pension consultant. Although a consultant acts primarily on behalf of the employer, it is in his interests to

explain the implications of any course of action. This would still leave the responsibility for taking the decisions entirely in the hands of the trustees themselves.

The events at Automatic Oil Tools also reinforce arguments put forward by Mr. Stanley Orme, the Minister of State for Social Security, that member representatives should be nominated by recognised independent trade unions. This is because unions would presumably put members' interests first and would be well placed to bring home to employers any shortcomings in the scheme. An insistence that representatives should be members of the pension scheme, and therefore be employees of the company, can on the other hand mean that the trustee could be subject to subtle pressure from the employer.

The best interest of pension fund members may not be served if the trustees are all appointed by the employer concerned, as a recent case shows

The idea of an independent firm handling the administration side of pension schemes may well appeal to trade union trustees. They would have a say in the appointment and the firm would be directly responsible to them. The expertise would be there for the union representatives to call upon, knowing that it was not the company's man speaking. But whether trade unions are prepared to go outside the union movement for such expertise is another matter.

Lesson

The final lesson from Automatic Oil Tools is that the whole position of payment of contributions needs to be tightened up. In theory members' contributions should be paid over as soon as they are deducted from salary or wages. In practice, deductions are held by the employer and paid to the manager periodically. The receiver in Automatic Oil Tools remarked that in many cases of financial trouble, the employer had held back pension contributions in an attempt to boost the cash position. Fortunately, the part of the Employment Protection Act which came into operation in April provides for any shortfall in employees' contributions to be paid from the State Redundancy Fund. But perhaps that will only encourage employers to look on contributions as providing short-term bridging finance. The position needs to be cleared up and trustees ought to ensure that payments are made in a regular and orderly fashion.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Possession of a cottage

Since I acquired a cottage six months ago, the tenant, an elderly widow, who lives with relatives, has not slept in it, though she visits it two or three times a week. Is there any way I can claim possession?

side at the property. However it is difficult to prove the required element of non-residence, as a person may be permanently resident even though absent for one or more periods of time. If the tenant has lived in the property for a long time it is unlikely that the court will view her absence as permanent.

Tax liability on Krugerrands

I am now showing a profit on my Krugerrands. If I sell them, does a capital gains tax liability arise?

The answer is probably yes; but there is a possibility of a charge to income tax, if the circumstances are such as to lead your tax inspector to regard your purchases and sales as constituting an adventure in the nature of trade. Each case must be judged on its own particular facts. (You may have seen the reply on August 4 to a similar inquiry about sales of current silver coins.)

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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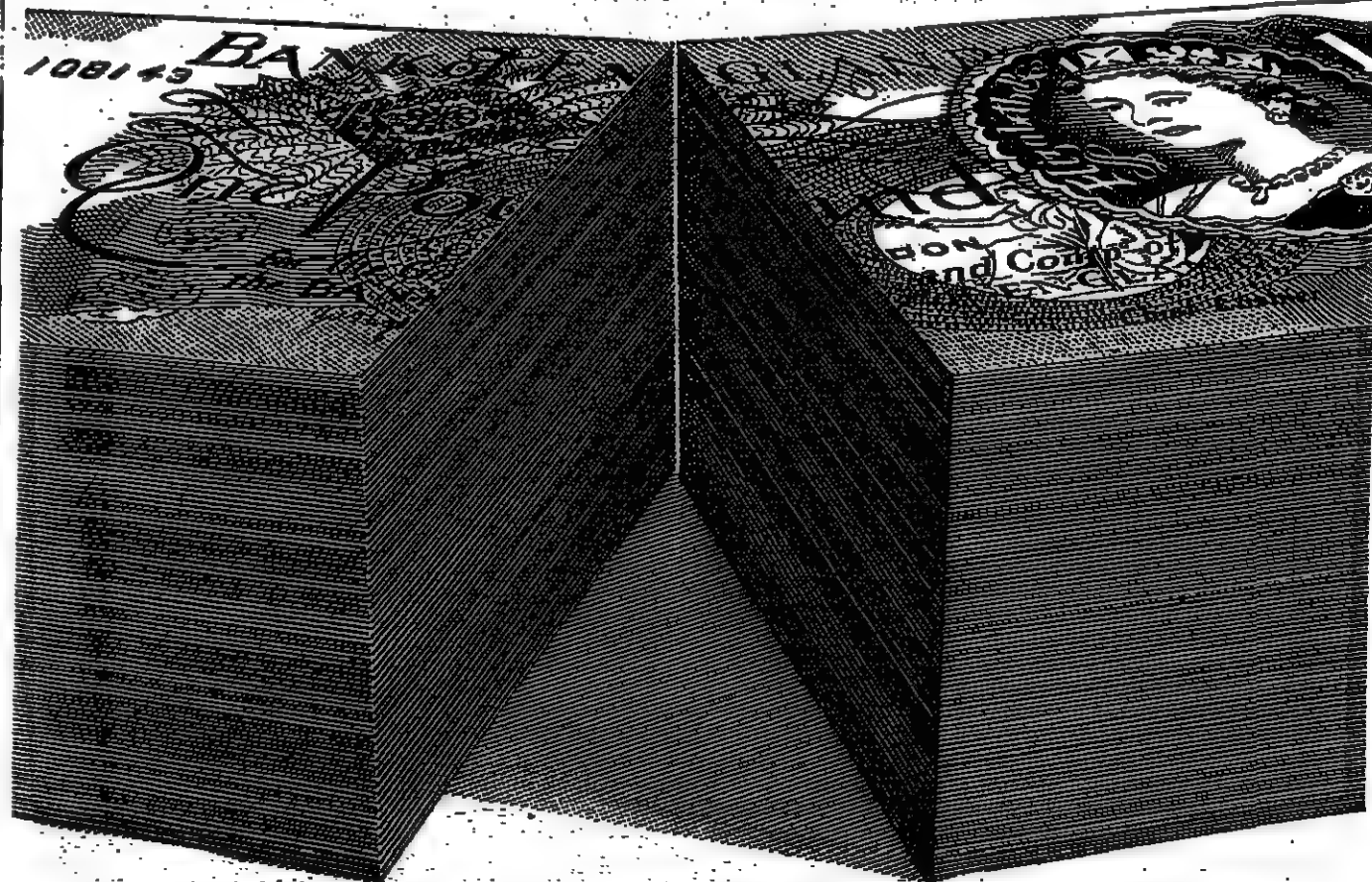
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WEDNESDAY, DECEMBER 1, 1976

Experiment in accounting

THE NEED for company accounts that reflect the impact of inflation on profitability has been obvious for some years past and has become more acute since the rate of inflation moved into double figures. Historic cost accounting produces figures of profit which are misleading to managers and investors alike and which are therefore almost certain to result in mistaken pricing and capital investment policies. The Inflation Accounting Steering Group has worked with commendable speed in producing its new exposure draft E.D.18, which is intended to provide practical guidelines for discussion.

Yet there is bound to be a good deal of disagreement among both academic and practising accountants about the conceptual background of the new system. In the first place, the very attempt to produce a definition of profit in inflationary conditions throws up the fact that the idea of profit is ambiguous. Profit can be struck only after allowing for revaluations to maintain the substance of the business, and there is no clear consensus of opinion—as the Steering Group concedes—about what this entails. In the second place, it would be difficult, even if such a consensus existed, actually to measure this substance. There are various possible ways, for example, of gauging the real value to a business of a particular item of equipment, but most of them contain an important element of subjective judgment.

Criticisms

Because of the lack of a consensus of opinion about the precise nature of profit, this exposure draft is to remain open for criticism for six months and is to be brought into practice only gradually, starting with the largest companies. What is more important, the suggestions which it makes about the treatment of monetary liabilities, for example, and goodwill—the former of which is of particular concern to the banks—are intended to be only tentative and experimental.

Because of the difficulty of measuring stocks and capital equipment at current values, it

puts forward a number of methods which involve the use of expert outside valuers or informed managerial opinion to various extents (the industry-based price indices recently issued by the Central Statistical Office are, by the way, put last in order of preference). If this change involves a greater degree of subjectivity in company accounts, the Group argues, this is part of the price that must be paid for making accounts relevant in a period of inflation.

There is considerable room for subjectivity, of course, even in historical cost accounting. Only experience can show whether the greater room allowed under the new arrangements—taken together with an increased complexity, which may baffle most unprofessional shareholders—will lead to more dishonesty.

Profitability

The point should perhaps be stressed that the Steering Group wants not only meaningful accounts to be made available twice a year to shareholders but constantly on an up-to-date basis to Managers, so that they can make rational decisions. What is "subjective" from one point of view may be more rational than any supposedly "objective" calculation from another: managers may now be encouraged to think more about the real value to the business of existing assets and new assets in which it is proposed to invest.

That in itself probably justifies the decision to go ahead on an experimental basis: differences of opinion can probably be solved better by experience than further argument. There is no great hurry to adapt the tax system to the new accounting structure, since accelerated depreciation and stock appreciation relief (which is to be tidied up) already deal with the main inequities caused by inflation. There is no great hurry to fix on a final accounting structure either, since the question of EEC harmonisation has to be taken into consideration. Changes will undoubtedly have to be made later and to the banks—are intended to be only tentative and experimental.

Flouting the law on closed shops

THE Trade Union and Labour Relations (Amendment) Act, which became law in March of this year, was mainly designed to remove those legal impediments to closed shop agreements which had survived from the Conservative Government's 1971 Industrial Relations Act. The Tories tried to re-insert into the Bill a "conscience" clause, whereby a worker would be able to claim compensation for unfair dismissal if his refusal to join a closed shop union was based on "sincerely held personal conviction." The Government argued that this would undermine the legal basis of the closed shop. The only exemption provided for in the Act is limited to religious grounds.

Dismissals

The consequence of the Act has been a spate of closed shop demands which have generally been conceded; most employers believe that closed shop agreements, by eliminating friction between unionised and non-unionised employees, are generally good for industrial relations. It has also involved, however, a not insignificant number of people being dismissed from their jobs without compensation, because they refused, for reasons other than religious scruple, to join the relevant union.

In our view, the Government's refusal to accept a conscience clause was entirely wrong. But an even more fundamental question is raised by an issue which has arisen at Vauxhall Motors. A car worker, Mr. John Corter, refused to join a union on religious grounds and he was threatened with dismissal. He appealed to an industrial tribunal, which found that his religious convictions were entirely genuine and that his dismissal was therefore unfair. Vauxhall agreed to reinstate Mr. Corter. When he arrived for work yesterday the members of

White-collar group

The whole issue of closed-shop agreements is likely to assume greater importance as unions attempt to extend their membership among white-collar and managerial groups. Even if a majority of employees vote in favour of a closed shop, there will be some individuals who will refuse on grounds of conscience to join the union. If this leads to an increasing number of dismissals without compensation, the pressure for a change in the law will grow.

Current Cost Accounting — 4

Accounting under inflation

By DOUGLAS MORPETH

THE EXPOSURE draft on current cost accounting—E.D.18—has been published on time, in spite of the very tight timetable which the Steering Group imposed on itself. It was officially set up on January 6 this year and held its first meeting on January 12. With the exposure draft itself are published a Brief Guide, Background Papers explaining the thinking of the Steering Group on some of the major aspects of the exposure draft, and a Guidance Manual, explaining in detail how the requirements of the exposure draft might be carried out. This is a very full package of information, much more than has ever been published for any previous exposure draft, and should be of considerable help to those who wish to send in their comments.

During the production process, the views of a considerable number of institutional bodies were obtained and working parties were greatly helped by the views of over 100 companies of all sizes who acted as field testers.

The Steering Group itself and the working parties included accountants in industry as well as those in practice, plus members from Government and the City, so that what is proposed in the exposure draft is essentially a practical answer to the problem.

The exposure draft has been developed on the basis that current cost accounting should be incorporated into the management accounting systems of business to which it will apply, so that management will have much more realistic and relevant information on which to base their decisions about the effect of changing prices on costs, profits and the value of assets. The need for such realistic information has in recent years become much more important as the high rates of inflation make it imperative for the survival of businesses that the right decisions are made. It follows from this that a standard which merely required adjustment to the year end accounts on an historic cost basis, to produce the CCA accounts, would not be adequate in to-day's environment.

The Steering Group was well aware that urgent action was needed. There had already been several years' debate about how to reflect the impact of inflation in company accounts, and it was felt that some system should be implemented as soon as practical. Because of this the exposure draft does not deal with all aspects of the problem of inflation accounting.

A large part of the draft deals with ensuring that the two main adjustments for profit proposed by the Sandilands Committee are dealt with.

These two adjustments relate

to the charge against revenue for depreciation and the cost of stock consumed in the year. The charge for depreciation included in the operating profit statement is based on the current value to the business of fixed assets and a realistic assessment of the life of the asset. The charge for stock consumed during the year is also based on the value to the business, at the date of consumption.

These two basic adjustments require the current value to the business of fixed assets and stocks and work in progress to be determined, and these current values are incorporated into the year-end balance sheet. This therefore gives a much more realistic assessment of the value to the business of the assets employed and so a better guide to the return on assets employed. The changes in the values between the two balance sheet dates will give rise to what are called holding gains.

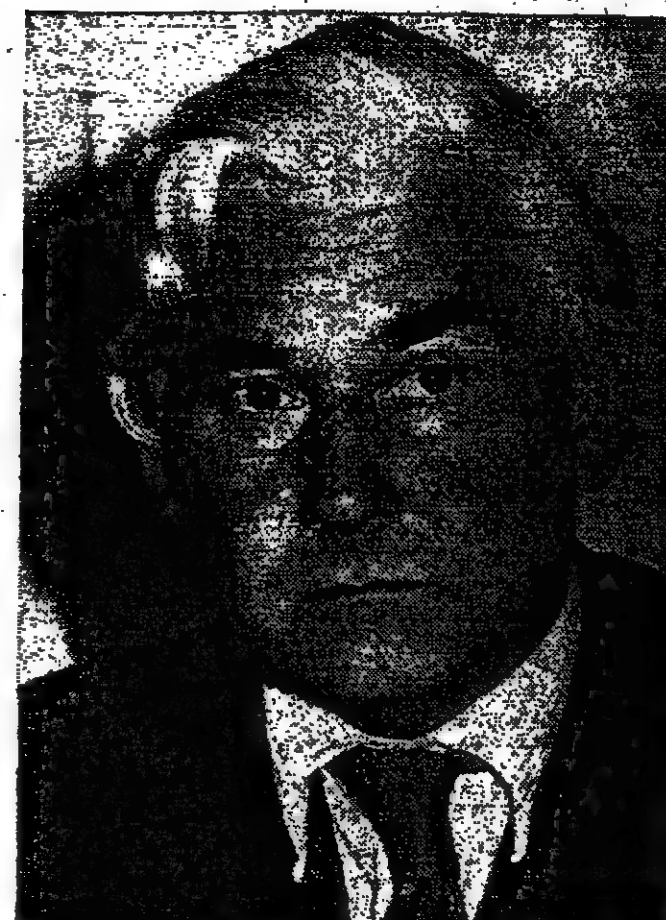
The change in the concept of profit from the historic cost system entailed by these adjustments can best be illustrated by the following simple example.

If I bought a house ten years ago for £10,000 and, on being required to move, sell it for £20,000, purchasing a similar house for £20,000, I would be required to show a profit of £10,000 under the historic cost system, but all under the current cost system. If I had to pay tax under the historic cost system, on the profit of £10,000, or looked on the profit as available for living expenses, I could only survive by buying a smaller house or by finding more money from somewhere. It is clearly more in line with to-day's reality to say that I had made no profit on the transaction.

Departure from historic system

It is clearly quite a departure from the historic cost system to have to value assets each year at their value to the business and to charge the replacement cost of assets, stocks and work in progress consumed in arriving at the profit of the year. The exposure draft therefore inevitably sets out rules explaining how this should be done and in doing so tries to deal with many of the special problems which arise. This is what makes the exposure draft much longer than the usual.

One of the elements of current cost accounting is that the increase in values of assets between one year and the next gives rise to what are called holding gains. Holding gains are not looked upon as profit under current cost accounting because in the normal course of events they will have to be re-



Mr. D. S. Morpeth

tained to enable the business to continue at the same level of activity. There are cases, however, as explained later, where some part of such holding gains for the year could be safely looked on as available for distribution or expansion of the business.

The Steering Group felt that the steps described above were quite enough to take at the first stage and so did not think it appropriate to deal with some of the valuation problems. Strictly speaking, liabilities should be valued at their value to the business, but there are a great many problems and complications inherent in doing so.

Likewise, goodwill and other intangible assets should be valued at their value to the business, and there are also considerable problems here. All these, therefore, have been left for further consideration at the next stage.

The Group did, however, consider that CCA presented special problems in relation to deferred tax, and therefore gave considerable thought to these. As a result, it is proposed that in the context of current cost accounting, provision for deferred tax should not be made, except in the case of short term timing differences. If the company can show that an actual liability will not accrue in the foreseeable future. In all cases, however, the full amount of the deferred tax liability, calculated under the provisions of the existing accounting standard,

felt that to propose an adjustment to profit would produce undue complications at this stage. Accordingly, no adjustment is proposed in respect of the effect of inflation on monetary assets and liabilities in arriving at operating profit. Instead a simple prominent note to the accounts will be required, which will compare the actual shareholders' equity at the year end with what the opening equity would have been in order to keep pace with general inflation, measured by a general index. The gain or loss will not be shared, which would have required detailed current purchasing power calculations, but an analysis of the gain or loss on net monetary assets will need to be given.

Money stock maintained

The Steering Group had to consider the question of distributable profits. At present, the U.K. Companies' Acts impose few restrictions on distributions, other than a prohibition on the distribution of nominal subscribed capital, and share premium accounts. The problems of whether and to what extent holding gains should be available for distribution, and whether, even if it could be adequately defined, a company should be required to maintain the substance of its business before being able to make any distribution to shareholders, were all part of the problem.

Banks and similar financial institutions are particularly affected once the decision was made not to make any adjustment out of profits for the less on monetary assets due to general inflation. Banks must maintain a proportion of their monetary assets as a base for their lending. Such money stock will lose value through inflation, and to maintain the real level of their business they need to set aside sums to maintain the real value of their money stock. The representations made by the clearing banks were that such sums should be set aside before arriving at operating profit. But of course, many businesses may have a net monetary asset position year by year which would also need to be maintained at its real value if the business was to survive, and although the problem of the banks was a very real one, it did not seem to be right to make a special exception for them. Many members of the Steering Group had sympathy for the banks' problem and felt it illustrated the need to try to arrive at a solution to the monetary asset problem as soon as possible.

Holding gains might not all need to be retained for the maintenance of the business, relevant to the shareholder's Appendix II to the exposure draft sets out circumstances which directors might feel that part of holding gains, which realised or not, could properly be available for distribution. The appendix also sets out circumstances where directors might feel it necessary to set aside more than the holding gains for the year. This would also be going beyond the concept of distributable profits envisaged in the Companies' Acts to require such to be released or set aside arriving at operating profit. This would also be inappropriate while the debate about monetary assets remained unresolved. Accordingly, appropriation account has been reintroduced, which brings together operating profits, holding gains and the amount directors feel should, in the judgment, be set aside before arriving at what they consider to be available for distribution. Directors will have to explain in notes to the accounts how they arrived at their judgment. Because of the completely new nature of the system, the work required in understanding and introducing into the management accounting system, there is proposed phased introduction over the years by size of company. First phase companies are required to introduce CCA accounts for accounting periods beginning 1st July, 1978. A date is given for small companies or businesses which have a turnover or assets of less than £100,000. It is hoped to devise a simplified method for the implementation of the first phase. The original three month exposure period would occur at an extremely busy period for the very large number of companies with a year-end at December 31, and it was felt they might be preoccupied with preparing their historic cost accounts. The exposure draft proposes having extended the exposure period by three months to allow companies to prepare to apply the standard after it was published.

MEN AND MATTERS

Reviving the Linen Bank

At first sight, a Scottish bank choosing the same time as the publication of the Devolution Bill to revive what sounds like a firmly British-based institution seems an example of politicians and financiers being at odds yet again. In fact British Linen Bank, dormant since 1971, was always thoroughly Scottish.

The "British" part of the name is understandable in view of the company's origins: they go back to 1746, the year after the Bonnie Prince's rebellion when the English were taking a stern, not to say savage, line with any signs of Scottish nationalism. The Linen Bank started out as the British Linen Company, engaged in the sale and manufacture of linen. Gradually, the business changed to that of financing and discounting other linen merchants' bills and became Bank proper in 1906.

It developed a clearing bank network, being taken over by the Bank of Scotland, oldest of the country's three clearers (founded 1695), five years ago. Three years earlier, Bank of Scotland had started up Bank of Scotland Finance, first as a pure deposit-taking concern which has since grown into a fully-fledged merchant bank with assets around £150m. That makes it probably Scotland's largest merchant bank at a time when the huge growth in the oil industry has led in the last couple of years to a large expansion of the Edinburgh banking scene.

Perhaps Bank of Scotland Finance reckoned some of its overseas customers were confused about the company's real identity; the group talked yesterday about British Linen's "long and proud history" making it "a most suitable vehicle" for keeping up in the merchant banking services race. So the Finance Company will become British Linen Bank.

Accounting for good luck

The grand unveiling of new accountancy recommendations threw up a couple of oddities yesterday. The steering group through 12 intermediate versions of its final exposure draft number 18 before the crucial decision came up: could they dare send draft 18 to the printers? Life's risky enough, all decided. They numbered the last draft of the exposure draft 14.

EEC's Vredeling

If British politics is losing one of its more interesting figures to the EEC Commission in the person of Roy Jenkins, then the appointment as a new Commissioner of Henk Vredeling means that Dutch politics loses one of its most colourful characters. As Socialist Defence Minister, he has had a reputation for making outspoken statements on European defence policy that disconcerted advisers subsequently have to go to great lengths to tone down.

Careful

Investment is all about figures, but watch the simple arithmetic. A circular for something called the Private Investor's Letter stresses the advice it can offer in these tricky days, adding "You can order PIL in your first year at one-third the full annual price—£23.65. Instead of £35.50."

Observer

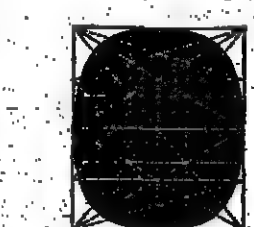


"New they tell me!"

At the Commission the 52-year-old Vredeling will be a poacher turned gamekeeper. He first won fame throughout the Community as an aggressive member of the European Parliament, who used to bombard the Commission with written questions during the late 1960s and early 1970s. Estimates by harried Eurocrats in Brussels were that Vredeling asked more written questions than all the other members of the European Parliament put together.

There is of course no defence portfolio at the commission, and Vredeling may want the agricultural post, a job held by the Netherlands ever since the Community started in 1958. There are other candidates for the post, including Lorenzo Natali, the former Italian Minister of Agriculture. But Vredeling also has qualifications for the job. Educated at an Agricultural University in the Netherlands, he has been special adviser to the Dutch Agricultural Workers' union.

But whatever job he gets, Vredeling can be counted on to perform with dedicated "Euro-peanism." Despite the setbacks of recent years, he remains a strong believer in European Union. Even as a Defence Minister, he was far more interested in the political than the technical aspects of his job. After three years as a Minister, he still apparently has difficulty telling one kind of aircraft from another.



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Why the legal machine is creaking

By A. H. HERMANN, Legal Correspondent

THE LAWS delays are nothing new. No one is more familiar with them than the High Court judges themselves. Yet one of them, Mr. Justice Templeman, said earlier this month that he was horrified by the time taken to bring to trial a relatively simple case arising from a solicitor's failure to complete in time an agreed purchase of property. Nine years elapsed between the issue of writs and the hearing of two actions resulting from the original muddle. The judge thought that scandalous. He will consider at a later date whether the plaintiffs' solicitor should be ordered to pay the costs personally.

But Mr. Justice Templeman did not limit his comments to the case before him. He said he believed that there were sufficient cases of unnecessary and harmful delay to warrant the imposition and enforcement of a timetable for litigation. He did not share the view that litigants or their advisers were free to play at their own pace. The judgment delivered by Mr. Justice Templeman on November 19 was the peak of a wave of judicial discontent expressed in equally strong terms by the Court of Appeal on several occasions in the course of the preceding eight days. There was the case of a widow whom the appeal judges regretfully told that it was too late now to sue the hospital which in her view was responsible for her husband's death.

A few days later, on November 11, Lord Denning, Master of the Rolls, refused to allow an action in which architects, and the widow of an architect as his executrix, would have had to defend themselves against charges of professional negligence more than 15 years after the work had begun. The court ruled—and outsiders are bound to be surprised that such a ruling was thought necessary—that litigation involving building contracts, however complicated, is not in a special category where long delays in preparing for trial are permissible.

On the same day, November 11, another Bench of the Court of Appeal, chaired by Lord Justice Megaw, was dealing with the case of a farm labourer who, more than five years ago, fell from a tractor and was injured. He used his employer for damages. The judge said that there had been a series of failures on the part of the plaintiff and his advisers, and on May 7 of this year a Lower Court judge imposed a timetable for the preparatory steps. When it was not adhered to he dismissed the case.

The question before the Appeal Judges was whether the action could have been dismissed even if the delays had not resulted in a serious prejudice to the defendant. The court held that in a case such as this, where there had been a whole series of inordinate and inexcusable delays, and where a timetable set by the judge had not been complied with, the action could be dismissed even if the delays did not put the defendant at a disadvantage. The ruling is another important sign that the judges recognise a public interest in dealing expeditiously with claims.

Giving up trial by a "game between parties" which some two years ago became a game between lawyers at the expense of the parties or of the legal aid fund, is the basis of the specific proposals made by Mr. Justice Templeman. In his view ample time would be afforded to negotiation, compromise, and preparation even if a timetable were imposed. He suggests, as one possibility, that a ruling was thought necessary—that litigation involving building contracts, however complicated, is not in a special category where long delays in preparing for trial are permissible.

Another important recommendation made by Mr. Justice Templeman on this occasion was that High Court judges should have power to order the transfer of any action to a County Court. This would not only relieve congestion, but would also considerably reduce the cost of litigation.

Dealing with the "scandalous history" of nine years' delay, Mr. Justice Templeman also expressed the hope that the Law Society and the Bar Council would consider the professional conduct of those responsible for the delay and any general guidance which might be usefully given to the profession. It is too early to expect any reaction of the two bodies to this particular case, but the general attitude of the Law Society to criticism of this sort was clearly stated by its president, Mr. David Napier, at the society's annual conference on October 7. He maintained that delays and high costs of legal services are not caused by practising lawyers, but by obsolete procedures



Lord Devlin (left) and Lord Justice Templeman who have come out for far-reaching reform.

which oblige solicitors to perform and charge for services which should have been made unnecessary a long time ago. Such reform, Mr. Napier said, would make it possible to reduce the cost of litigation while at the same time allowing for proper remuneration of the really necessary services of solicitors.

Neither the judges blaming the practising lawyers, nor the solicitors blaming obsolete rules of the courts seem to have much time to consider the origins of the stresses causing the weaker links of the British machinery of justice to break and fall. The growing frequency of failures is hardly surprising. The machinery was designed in the Victorian era to settle relatively few disputes between men of property, and is ill-equipped to deal with millions of claims in which people who have to earn their living face

by social security, they will tend to accept the incompressible delays as an act of God.

The combined effect of this situation and of the legal aid system is that the courts have become an arena for those enjoying legal aid and for rich corporations or individuals to whom costs do not matter, to the exclusion of middle-income people who have been crowded out by delays and the resulting high costs. The medium-scale business, on whose creativeness an economic recovery largely depends, is for all practical purposes deprived of the protection of the courts which it cannot afford to approach.

The main business of the Queen's Bench Division, described in textbooks as dealing primarily with contracts and civil wrongs, now is handling claims for compensation arising from personal injuries caused by motor car accidents or sustained in the course of employment. On the other end of the scale, High Court judges are kept out of action by endless cases between multinational companies, continued for years without regard for costs, until the contested patents expire or the dispute is made irrelevant by changes in the market place.

Neither exhortations addressed to the lawyers from the Bench, nor enforcement of timetables and pruning of obsolete rules is likely to reconcile with the changing times a machinery of justice, admirable for the perfection of its products but rapidly losing social significance because of small output and high cost. The giving up of "unarmed combat" between counsel, as Lord Devlin once called it, a much greater role for time-saving written proceedings, the relegation of petty

claims to adjudicators and lower courts, and the freeing of the High Court for the review of cases in which great questions of principle are raised—all these reforms proposed by Lord Devlin can hardly be delayed much longer.

Reform is rendered even more urgent by the growing importance of the courts in the review of administrative decisions which is likely to escalate still more after a devolution of legislative functions to Scottish and Welsh assemblies. That it could achieve a very radical saving of time and costs is illustrated by the hearings on the GKN-Sachs appeal against the prohibition of their merger in Germany pronounced by the Federal Cartel Office in West Berlin. A thorough homework of the judges of the Berlin appeal court based on complete documentation presented by the parties, made it possible for this complex issue to be heard within six months from the conclusion of the case. The hearing itself was over in 2½ hours. This compares very favourably, for example, with the Hoffmann La Roche appeal against the British price-cutting order for Valium and Librium where the preliminary alone kept a High Court judge, three Appeal Court judges and seven Law Lords, not to speak of large teams of lawyers on both sides, busy in court for many days without ever getting into the merits of what proved to be an abortive action.

● South of Fourth River Property Corp. v. South of Fourth River Property Corp. 12 November 1978
● Trustees of Lambeth, Southwark and Lewisham Area Health Authority v. Court of Appeal 5 November 1978
● Rogers Investments (Holdings) Ltd. v. Rogers Investments (Holdings) Ltd. and others, Court of Appeal, 11 November 1978
● Price v. Smith, Court of Appeal, 11 November 1978

Letters to the Editor

Tax on home ownership

From Professor J. Parry Lewis

Sir—The myth that house purchasers are subsidised when they obtain tax relief on their interest payments has recently (November 23) been paraded yet again. Despite its respectable history it is based on a complete failure to understand our taxation and subsidy system.

In one sense everybody is a net payer of taxes or a net recipient of subsidies. If I pay out more in taxes than I receive in my share of State-provided goods and services I am a net payer of taxes, and if it is a subsidy to tax me less on my income because I devote some of it to paying mortgage interest this has to be set against the extra tax I pay in VAT on materials I need only in order to maintain the house, and the tax I pay for the education of other people's children along lines of which I do not approve.

The trouble is that house purchasers are being compared with the rest of the community, whereas they should be viewed as one group of people who are party to a certain transaction. Borrowers from building societies obtain income tax relief on interest payments. Those who lend to building societies are taxed on the interest they receive. The intermediaries, the building societies, make management charges, but no distributable profits (or no profits at all, depending on how you define it). Roughly speaking, tax relief afforded to borrowers is balanced by tax paid by lenders.

What would happen if borrowers no longer obtained tax relief? There would certainly be an effect on house prices, and probably a decline in mortgage size. The ability of some people to make repayments would be questioned, and in some cases prospective borrowers would be thwarted. But this kind of analysis, fraught with assumptions about elasticities, demand curves and other concepts, is only part of the story. The other part is that the Government would be taxing the act of financing house purchase, for it would still be taxing, at the lender's end, interest on the loan, and so withdrawing money from the system. This would mean that lenders of money to building societies would be subsidising everybody else—if we accept the approach indicated in my second paragraph.

Whether any government would willingly invite the allegation that it is taxing house purchase even more than it does through stamp duty and VAT on professional fees is open to doubt. One way of overcoming the allegation would be to deprive borrowers of tax relief but also to exempt those who lend to building societies from tax on their interest payments. This would make building societies deposits so attractive that the societies would be forced to reduce their interest rates in order to get their funds into balance. Before long depositors would receive, free of tax, more or less what they now receive after tax, and borrowers would pay, without tax relief, more or less what their payments amount to now, and the Inland Revenue would have less work to do. Some, no doubt, would argue that then depositors would be

subsidised. I refer them to my second and third paragraphs. J. Parry Lewis, Centre for Urban and Regional Research, The University, Manchester.

Index-linked pensions

From Mr. G. Palmer

Sir—Again I must comment on the points raised by Mr. Webb Ware. This time I refer to his letter of November 23.

If Mr. Webb Ware takes to read the "previous" correspondence, he will see that I have never referred to public-sector pensions as being "index-linked". I have always used the term "index-linked". Whether the system is referred to loosely or accurately, it is its unfairness that is being criticised. Unfair because it is the "entitlement" of a minority of the working population paid for by the remainder. Unfair because the rest of us cannot buy such a pension at any price even if the Inland Revenue permitted it to be paid as "earned" income. Mr. Webb Ware states that "without knowing the extent of future rates of inflation and taxation, nobody can say how pension will be funded, or otherwise provided for." Does this mean that those in non-pensionable posts do nothing, and just rely on the old age pension? There are millions of people who wish to retire on something better than the OAP. They pay premiums into various forms of pension schemes and the pensions they receive are related to premiums and not to final pay. Mr. Webb Ware may like to know that I have done his "instructive exercise" many times over the past few years. But it is not necessary to take inflation at 15 per cent, or even 5 per cent, or even 20 per cent, to be helpless—what brings us right back to the unfairness of the public-sector pension scheme. I agree that inflation and excessive taxation are our real enemies. But this does not excuse discrimination in favour of public employees and against self-employed and those in non-pensionable posts. We are not in the same boat, Mr. Webb Ware. Some boats are leaking faster than others. G. A. Palmer, 27, London Road, Bromley, Kent.

£500 a year in 1992

From Mr. C. Argue

Sir—If I may be permitted to join your correspondent, Mrs. Tuckwell, (November 27) on the subject of inflation proof pensions, I put forward a suggestion to solve the problem of funding those of the private sector, in order to provide a pensions "fair deal" for all.

It will be apparent that private industry is already so over-burdened by the high cost of taxation, rates, national insurance, and so forth, that to be called upon to provide additional finance for the "cushion" will only serve to create additional resentment, unemployment and closures. Would it be too simple a solution for the funding to be provided by a profits tax relief equivalent to the cost of the additional premiums?

Mr. John Pardo, MP, has said that at the present rate of inflation a civil servant at a pension of £2,000 would be paid a pension of £25,000 at 75. On this

basis, pensioners and prospective pensioners of the private sector should be aware of the converse. A pension of £3,000 without being index linked will be worth only £500 at 75. There would however be the consolation of Social Security Benefit to make up a balance when their savings are exhausted.

It is not good enough for employees of private industry on pension to have to hope that company funds may sometimes review pensions at their discretion in the light of inflation and the profit situation. Unfortunately, even this possibility of goodwill is too often absent, which could be regarded as yet another example of "the unacceptable face."

Since civil service and State retirement pensions are index linked it is hardly social justice to ignore those of the remainder, particularly the wealth creating sector of our community. All pensionable employees in private industry should lobby their Members of Parliament, chambers of commerce and trade associations on this important matter.

C. F. Argue, Myrtle Cottage, Riverside Road West, Newton Ferris, Plymouth.

Falling buying power

From Mr. H. Cole

Sir—W. Webb Ware (November 23) is himself causing quite unnecessary alarm. Let us take the example he suggests and follow it through. An employee on about the average salary of £10,000 a year with a gross income day of rather under £4,000 p.a. of over £65,000 in 20 years' time if inflation averages 15 per cent, and he keeps up with it.

But if current tax rates remain unaltered, income tax will take about £48,000—and the purchasing power of what remains will be £17,000 at 10-day prices. And, if national insurance and indirect taxes stay at their present rates, they will more than absorb the balance anyway. So it is complete fantasy to write us to believe that income tax will ever absorb three-quarters of the national income.

Mr. Webb Ware also seems to persist in his delusion that an indexed pension, linked to the cost of living but adjusted downwards, will see its purchasing power progressively reduced (over and above any effect due to higher marginal rates of tax). This is not so.

If he starts, for example, with a pension 10 per cent below the value indicated by the price index, and inflation proceeds at 10 per cent, per half-year, in three years his pension will stand at 177. His pension, one jump behind, will only be at 161, but it is still just 10 per cent lower—no more. H. R. Cole, 5, Clifton Road, Winchester.

when inflation was not even "a cloud on the horizon no more than the size of a man's hand."

Many companies of standing are, of course, making ex gratia payments in compensation from time to time, but there are some notable exceptions. As a one-time chairman and managing director of a public company now in the hands of an impersonal "conglomerate," I find myself in the unenviable position of having my repeated representations, on behalf not only of myself but also of former colleagues, summed down out of hand. Even a recent request for a personal discussion with the chairman met with an adamant refusal.

It so happens that the holding company in question is seeking, at the annual meeting shortly to be held, to amend its Articles so that the chairman will be exempt from retirement in rotation. This will give me, as a shareholder, an opportunity to give this matter a much-needed airing. Otherwise, of course, attention could be drawn to the inequity only by calling a special general meeting involving expense beyond the means of most on the retired list.

C. Kenneth Benda, Flat 30, Abington Court, Abington Villas, W.5.

London's civil service

From the Leader of the Opposition Greater London Council

Sir—Do I detect that Joe Rogaly (November 23) is shifting his ground ever so slightly over his wish to see the GLC abolished? Is he now agreeing with me that we need a change of political and managerial control at County Hall rather than the massive upheaval a major change in functions would bring?

His analysis of the bankruptcy of ideas and the panic displayed by the GLC's Socialists is bang on. It would have carried even greater force if in his understandable desire to impart an ironical tone he had not obscured his own point about GLC staff numbers. Using his own figures we get:

GLC staff March 31, 1973	34,578
Less transferred to health and water authorities	4,971
	29,607
GLC staff Sept. 30, 1976	32,379
Total increase	2,772

What is more, of course, these figures make no allowance for the other staff who have been and are being transferred to the DOE as motor and vehicle licensing is taken over by the Government.

It is interesting to note that while the number of people employed is now belatedly falling, the number of authorised jobs keeps going up—168 more in October alone. If Londoners want any further indication of what Labour has in store for them should they win the GLC election next May, this trend is it. The comforting thought is that on present indications Labour's GLC membership after next May will be just about enough to fill two London taxis. H. Corder, County Hall, S.E.1.

To-day's Events

11.15. Sirdar, Wakefield, 12. United Real Property Trust, Europa Hotel, W. 12.

OPERA
English National Opera production of Der Rosenkavalier, Coliseum Theatre, W.C.2, 7 p.m.

BALLET
Royal Ballet perform Dances at a Gathering, Monroes, and Volontaries, Covent Garden, W.C.2, 7.30 p.m.

London Contemporary Dance Theatre in Nymphs, Diary, and Troy Game, Sadler's Wells Theatre, E.C.1, 7.30 p.m.

MUSIC
London Mozart Players, conductor Harry Blech, play music by Haydn, Mozart, Beethoven, and Schubert, Royal Festival Hall, S.E.1, 8 p.m.

GENERAL
Cabinet resumes discussion on terms for loan by International Monetary Fund.

House of Commons debates Government motion, tabled by Mr. Michael Foot, Leader of House, and Mr. Eric Varley, Industry Secretary, seeking to suspend standing orders on question of Aircraft and Shipbuilding Bill's hybridity, prior to its second reading.

Public service pensions increase by 13.8 per cent.

President of EEC Commission begins two-day visit to Belgrade to examine possibility of strengthening links between Community and Yugoslavia.

Meetings of CBI Smaller Firms Council and Employment Policy Committee.

Commons Select Committees (meeting in public). Expenditure and Employment Sub-Committee.

Subject: The Fishing Industry. Expenditure (Environment Sub-Committee). Subject: Planning Procedures Nationalised Industries (Sub-Committee). C. Subject: Forestry, Tourism or Board. European Secondary Legislation. Subject: Labelling of Foodstuffs.

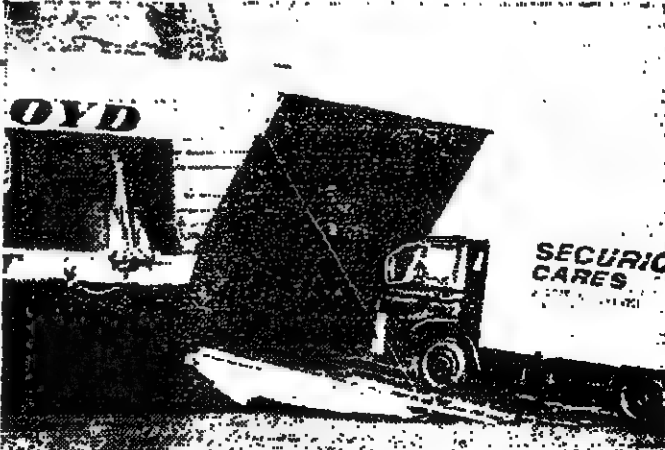
House of Lords: Debate on Queen's Speech—defence and foreign affairs.

COMPANY RESULT
Fairley (half-year).

COMPANY MEETINGS
Bryant Shirley, Solihull, 3.30. Scottish and Continental Investments, 8, Crosby Square, E.C.



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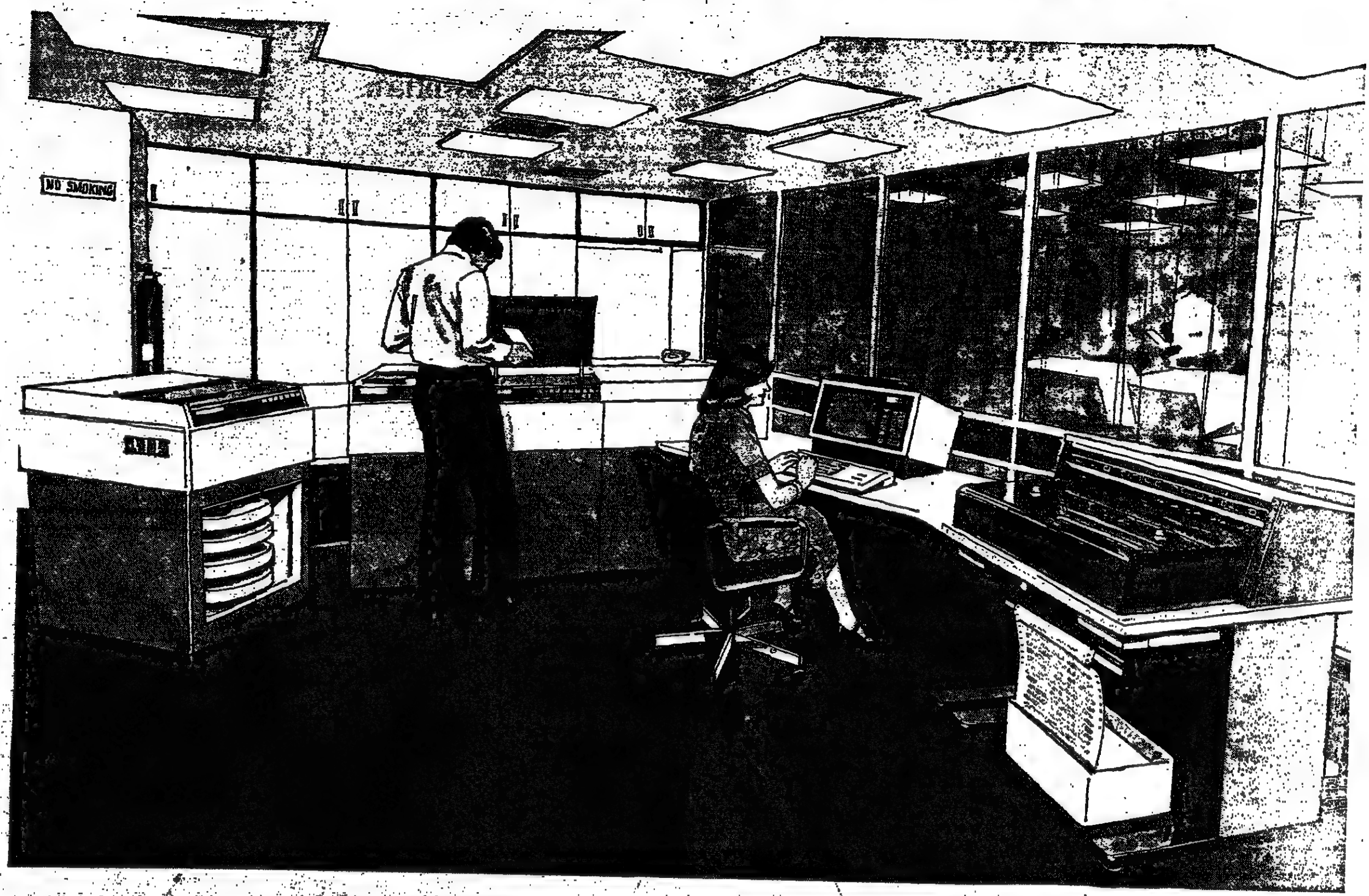
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The Wool and Synthetic Textile Group

Interim Statement

Unaudited results of the Group for the half year ended 3rd October 1976

	1976	1975	Year to 3rd October 1976
Group Turnover	10,214,790	6,517,982	14,384,758
Trading Profit	668,433	384,244	1,029,348
Interest payable	59,405	42,243	82,177
Depreciation	146,250	141,340	322,780
Profit before tax	462,888	200,661	634,412
Taxation	243,000	104,450	295,000
Profit after tax	219,888	96,211	329,412
Earnings per share	2.52p	1.10p	3.80p
Extraordinary profit after attributable tax		72,815	74,990
Preference dividends	1,750	1,750	3,500
Ordinary dividends	106,207	96,552	217,112

An interim dividend has been declared of 1.2375p per 50p share £106,207, payable on 24th January 1977 (previous year 1.125p per share £96,552).

The improved trading conditions referred to in the Annual Report have been maintained. It is expected that the total dividend distribution for the year will be increased by the maximum permitted under present legislation.

Bulmer & Lumb (Holdings) Limited,
Buttershaw, Bradford, BD6 2NE.

MINING NEWS

EZ Industries is cautious

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S zinc-producing EZ Industries may earn only steady profits in the current year to June but the decision brings closer to 30 despite the country's devaluation. Our correspondent reports that at the Melbourne annual meeting of the chairman, Sir Edward Cohen, said that the devaluation should produce some benefit in the second half but it costs continued to increase, the results for the full year would be no better than in 1975-76.

He also intimated that zinc production which was recently lifted from 80 per cent to 90 per cent of capacity, could be cut back again if world demand did not improve. Indications of an improvement had faded, he added, and stocks were still high. "We are keeping a careful watch on movements and trends in all markets to ensure that we do not suffer another rapid build-up of stocks with the consequential drain on liquidity," said Sir Edward.

He revealed that reserves at the Elura silver-lead-zinc deposit in New South Wales had increased from 22m. tonnes to more than 27m. tonnes with grades being maintained. The company hoped to be in a position to decide by the end of 1976 on construction of a mine and concentrator.

However, the Golden Grove copper deposit in Western Australia, with reserves of 13.2m. tonnes averaging 3.35 per cent copper would not be feasible until there was a substantial increase in the copper price. Three years ago this venture would have been profitable despite high infrastructure costs.

The meeting was enlivened by a large turn-up of proxy holders from Church and conservation groups opposed to EZ's potential participation in the Ranger uranium project in the Northern Territory. Unions, students and environmental groups were also represented. Despite their opposition they gained no information on a possible development of Ranger where the partners are still waiting on a second report from the Government-appointed Ranger environmental inquiry. EZ Industries fell 20p to 320p yesterday.

CRA TAKE-OVER OF AM & S
The Rio Tinto-Zinc group's Conzinc, Rio de Janeiro, has secured complete control of the lead-zinc-silver producer, Australian Mining and Smelting. A deal announced in October offered one CRA share for one AM & S share and covered the 25.5 per cent of the AM & S equity not already owned by CRA.

CRA announced that it has received acceptances for 94.4 per cent of the shares subject to the order which was worth some £22m at the market price, prevailing in October.

One effect of the deal is to decrease RTZ's holding in CRA. Before the deal it was 30.3 per cent. Now it is 25.6 per cent. RTZ were 144p yesterday and CRA were 220p.

COURT DECISION ON LONRHO PLAN
Discontent minority shareholders of Witbank Consolidated have failed in the first stage of their legal battle to prevent the merger of Witbank with Tweekfontein United Collieries under the umbrella of Duker Exploration.

An application brought by Field-Zwart Consulting to prevent the application of resolutions passed at a general meeting earlier this month in favour of the merger was dismissed in Johannesburg court yesterday, reports our correspondent.

U.S. OPEN-CAST COAL RESERVES

More than 15 times as much energy is contained in the coal deposits of the American states of Wyoming, Montana and North Dakota than in the oil and gas reserves of Alaska's North Slope, according to a report by the think-tank, the Rand Corporation.

Rand states that the proven coal resources of the three states are 78.7m. tons, of which three-quarters is of low sulphur content. The deposits could be developed by open-cast mining.

To avoid conflict over the regulation of open-cast mining, Rand suggests that the state and federal authorities should share control "with no single interest considered to be predominant".

MORE BOTSWANA DIAMONDS

Opening the Botswana Parliament in Gaborone yesterday Sir Setere Khama mentioned the earlier announced expansion of the De Beers-Botswana Government jointly-owned Orapa diamond mine. Production is to be raised from the present annual rate of 2.3m. carats to 4.5m. carats by the end of 1978 at a cost in the region of £28m. (£19.5m.).

He also said that development of the nearby R22m. (£15.5m.) Letlhakane mine has been completed and that its diamond output is expected to reach about 200,000 carats next year on the way to an eventual annual production of about 320,000 carats. The small newcomer has a high gem diamond content of around 50 per cent, with Orapa only about 15 per cent, gems, the rest being of industrial grade diamonds.

BIDS AND DEALS

Hepworth Ceramic U.S. purchase

Hepworth Ceramic has agreed a \$12.32m. (£7.2m.) offer for 19.5 S. shares purchased during the period. Armstrong now holds or U.S. which makes and distributes vitrified clay sewer pipes and other clay products in the south-east and mid-western states.

In its last financial year it made its lowest ever pre-tax profits of \$568,000 compared with a record high of \$1,722,000 in the first nine months of 1975. For the year it has recovered to \$655,000 pre-tax. Last reported net assets were \$7.5 a share against the \$14 cash Hepworth is offering.

The agreement is subject to the shareholders' approval and the opinion of an independent financial adviser. Satisfactory completion of a definitive agreement of December to give a report on the company's properties to a trustee of the shareholders.

LONDON CITY & WESTCLIFF
The executive directors of London City and Westcliff Properties, which is subject to a 22p share cash bid by Louth, have commissioned a valuation of the company's properties by surveyors Richard Elph.

Mr. J. H. Lew, managing director, says he will write to shareholders towards the middle of December to give a report on the value of the company's assets "which the executive directors anticipate will support a value per Ordinary share well in excess of the Ordinary offer." He will also give an indication of the company's results for the year to September.

MARLEY NOW HAS 29.7% OF GOMME
Marley, the building products concern, has stepped up its stake in the Gomme Holdings furniture group from 24 per cent to 29.7 per cent.

CRANE'S SCREW
Armstrong Equipment's offer for the Ordinary capital of Crane's Screw (Holdings) has been accepted in respect of 1,130,000 shares (45.90 per cent. of the enlarged capital).

THI SALE
The sale of a freehold office building in Canon Street, W.1, has raised £13.1m. for Fairfield House Investments. The buyer was the Lazard Property Unit Trust. The principal letting in the 11,000 square feet of offices, 7,200 square feet of showrooms, plus a public house and shops, is to RCA, and is subject to review in 1980.

AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION
American Express International Banking Corporation is lead bank in an International Banking Group composed of commercial and merchant banking subsidiaries of American Express Company. Consolidated assets of the independent companies in the Group amounted to more than \$3.4 billion at year end 1975.

CONSOLIDATED BALANCE SHEET

September 30, 1976*

ASSETS	
Cash and due from banks	\$ 370,072,000
Time deposits	371,782,000
Investment securities—at cost	489,238,000
Investment securities—at lower of cost or market	6,214,000
Loans and discounts, less reserves:	
1976, \$41,113,000; 1975, \$37,000,000	1,570,452,000
Accounts receivable and accrued interest	71,572,000
Land, buildings and equipment—at cost, less reserves	25,064,000
Customers' acceptance liability	89,049,000
Other assets	40,050,000
	\$3,013,503,000
LIABILITIES AND SHAREHOLDERS' EQUITY	
Customers' Deposits and Credit Balances:	
Demand	\$1,033,843,000
Time	1,376,640,000
Total	2,410,483,000
Special deposit liability to U.S. Government	85,000,000
Borrowed funds	49,125,000
Due to American Express Company and subsidiaries	50,795,000
Drafts outstanding	50,481,000
Acceptances outstanding	89,206,000
Accounts payable	74,127,000
Other liabilities	43,760,000
	2,662,977,000
Shareholders' Equity:	
Capital Stock:	
Preferred—5% cumulative—authorized and outstanding 25,000 shares of \$1,000 par value	25,000,000
Common—authorized and outstanding 60,000 shares of \$100 par value	6,000,000
Capital surplus	12,281,000
Net unrealized losses on investment securities carried at lower of cost or market	(906,000)
Retained earnings	108,151,000
Total shareholders' equity	150,526,000
	\$3,013,503,000

*Figures unaudited.

Better trend for Common Bros.

COMMON BROTHERS, says that the major task of 1975-76 has been to deal with severe cash problems following the collapse of Newfoundland Reins Company, a trading partner.

The NRC problems curtailed the profitability of the three products tankers and two newsprint carriers which reverted to the operational control of the group. The cash flow position has been mitigated by the revision of control of these vessels.

The chairman says that the flexibility thus gained together with the backing of fleet market values substantially above book value enabled the group to obtain to bridge the cash flow shortfall. And it has been possible to reduce by £200,000 the contingency reserve created in April. The total now charged to profit and loss in respect of these items and the provision is £78,000. The chairman is pressing its full claims against NRC and its associate.

The market value of the group fleet (excluding my Afghanistan and my Kurdistan) is estimated at £37m. A liability of £20m would arise if the fleet were sold without replacement at this valuation and, in addition, partial repayment of investment grants would be required, although this would be less than £1m. The net effect of this would be to increase the net asset value to about £17m compared with £12p at June 30.

Loans at the year end stood at £29,22m. (£7,499m.) after deducting £50m. (£13.1m.) loans initially made falling due within 12 months which are included under the current liabilities heading.

There has been charged as a separate item in the profit and loss account an amount covering upon the actual bad debt incurred in 11 m.

Nevertheless the company now has a glut of machinery with modern efficient machines, which should enable it to compete in all areas of its textile activities, and expand production in its traditional and new products.

Meetings, Bradford, on December 21 at 12.30 p.m.

Better trend for Lawtex

Mr. G. M. Schaefer, chairman of Lawtex, the clothing and umbrella manufacturers, told the annual meeting that payment of a dividend had become justified only by taking into account the considerable improvement of conditions in which the company was now operating compared with six or nine months ago. Orders on hand warranted for the extensive programme of re-equipment and re-orientation of machinery as part of a general rationalisation scheme proved extremely expensive during a year had not enjoyed for a number of of steeply rising costs, members years.

F. COPSON CO. LTD.

Builders and Plumbers Merchants
Sanitaryware and Central Heating Supplies.

"Record profits again achieved"

F. Copson (Chairman and Managing Director)

It is indeed gratifying to be able, once again, to report record profits. The group profit before taxation is £151,000, an increase of £34,000 (29%) over last year. Group turnover increased by £54,808 (31%) to £3,385,374. The results are particularly pleasing in these troubled economic times.

Both sides of our business have continued to make steady progress... The sanitary ware section fortunately holds major contracts and the heating side has improved its position in the private sector. Considerable effort will be required in both sectors and this will be forthcoming.

Our subsidiary company, Oaky Warm Air Limited, has again produced record profits which we anticipate will be maintained for the current year. Every effort is being and will be made to ensure the continued profitability of this company.

It is impossible to assess prospects for the future. We can, however, take some comfort from the fact that our turnover to date during the current year shows an improvement over the corresponding period of the year under review. Every effort will be made to maintain and improve both turnover, and profits and I shall be surprised and disappointed if these do not materialise.

Rowlinson

Mr. P. J. Rowlinson,
Chairman, reports on
the half-year ended
30th September, 1976:

- ★ Profit £602,700 against £321,300.
- ★ Second half expected to show a slight increase.
- ★ Best half-year yet for industrial and commercial division.
- ★ Funds available for further industrial estates.
- ★ Interim dividend 6.6%, maximum possible.

Rowlinson Construction Group Ltd.,
Ain Street, South Reddish, Stockport, SK5 7PR.

In Scotland: Grindlays Bank Scotland

British Bank of Commerce, Glasgow,
a subsidiary of Grindlays Bank Limited, London,
has changed its name as from 1st December 1976
to Grindlays Bank Scotland Limited



Grindlays
Bank
Scotland

Head Office: 4 West Regent Street, Glasgow G2 1RG
Telephone: 041-332 5091 Telex: 779034

Grounds for Investment?

See Eurocharts
Coffee on
Page 37



International Commercial Banking Offices and Subsidiaries: Amsterdam, Antwerp, Athens, Bahrain, Basle, Bombay, Bonn, Bad Godesberg, Brussels, Cairo, Calcutta, Cannes, Chittagong, Cologne, Copenhagen, Dacca, Dubai, Düsseldorf, Florence, Frankfurt, Geneva, Grand Cayman, Hamburg, Heidelberg, Hong Kong, Jakarta, Jakarta Kota, Karachi, Kowloon, Lahore, Lausanne, London, Mestre, Milan, Monte Carlo, Munich, Naples, New Delhi, Nicosia, Okinawa, Paris, Piraeus, Rome, Salonic, Singapore, Taipei, Tokyo, Venice, Vienna, Zurich. Representatives: Birmingham, Edinburgh, Manchester, Manila, Sydney. Affiliates: Egyptian American Bank, Cairo (49% owned), International Merchant Banking Affiliates: Amex Bank Limited, London, American Express Middle East Development Company S.A., Beirut, Amman, Cairo, The Bancorp Group, Inc., Manila (29% owned).

International Headquarters: American Express Plaza, New York, N.Y. 10004

REPORT TO INVESTORS from a company called TRW

TRW Reports Record Third Quarter and Nine Months.

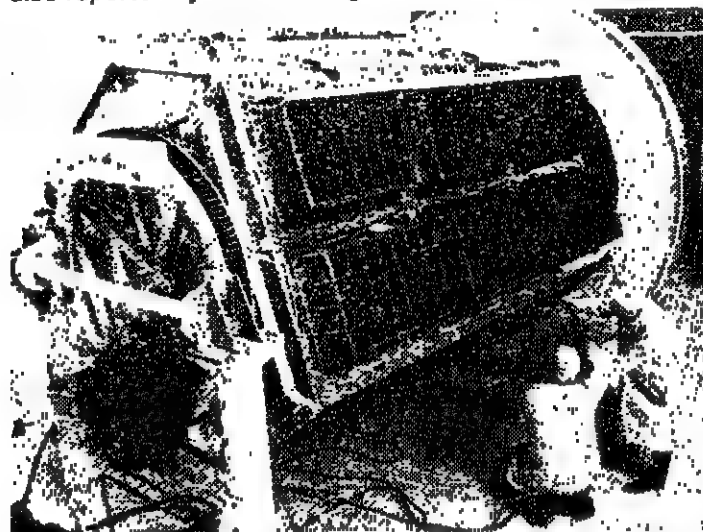
TRW Inc., an international supplier of high technology products and services, reports record third quarter sales, earnings, and earnings per share.

Third quarter sales were \$708.2 million, a 12% increase over 1977 third quarter sales of \$629.8 million. Earnings after taxes and earnings per share each rose about 11%, reaching \$32.4 million or \$9.93 per share compared with \$29.2 million or \$8.85 per share a year ago.

For the nine months, TRW posted sales of \$2,174.5 million compared with \$1,905.7 million a year ago. Net earnings reached \$96.7 million or \$2.93 per share compared with \$72.6 million or \$2.13 per share for 1977's first nine months.

TRW operating units serving worldwide automotive original equipment and replacement markets paced the company's performance in the quarter. Good results were also reported by units serving

TRW STATISTICAL SUMMARY (Dollar amounts in millions except per share data)			
THIRD QUARTER		1976	1975 (Restated)
Sales	\$	708.2	629.8
Pre-Tax Profit		66.7	50.7
Net Earnings		32.4	29.2
Earnings Per Share			
Primary		.98	.88
Fully Diluted		.89	.80
Dividends Per Common Share		.35	.30
NINE MONTHS		1976	1975 (Restated)
Sales		2,174.5	1,905.7
Pre-Tax Profit		190.4	130.0
Net Earnings		96.7	72.6
Earnings Per Share			
Primary		2.93	2.13
Fully Diluted		2.64	2.01
Dividends Per Common Share		1.00	.90
Common Shares			
Outstanding		27,602,000	27,451,000
Average and Equivalents		28,512,000	27,885,000



TRW technicians integrate experiments into the High Energy Astronomy Observatory due to be launched next year. The satellite will look at objects in the invisible, high-energy universe with x-ray and gamma ray instruments.

commercial data communications, spacecraft and aircraft markets. If you would like further information on TRW, please write for a copy of our latest Quarterly Report: TRW Europe Inc., 25 St. James's Street, London SW1A 1HA.

A COMPANY CALLED
TRW

This advertisement appears as a matter of record only.



Canada Trustco Mortgage Company

Can. \$25,000,000

9% Debentures due December 1, 1981

Issue Price 100%

Wood Gundy Limited
Dresdner Bank Aktiengesellschaft
Kuwait Investment Company (S.A.K.)
Orion Bank Limited
Salomon Brothers International Limited
Swiss Bank Corporation (Overseas) Limited
Union Bank of Switzerland (Securities) Limited

Amsterdam-Rotterdam Bank N.V.
Credit Suisse White Weld Limited
Kredietbank N.V.
Société Générale de Banque S.A.

Alahli Bank of Kuwait (K.S.C.)
Algemeine Bank Nederland N.V.
A. E. Ames & Co. Limited
Banca del Gottardo

Amex Bank
Bache Halsey Stuart Inc.
Julius Baer International Limited
Banca del Gottardo

Bank Gutzwiller, Kurz, Bungeer
Bank Heusser & Cie A.G.
Bank Leu International Ltd.
(Overseas) Limited

Banque Bruxelles Lambert S.A.
Banque Générale du Luxembourg S.A.
Banque Louis-Dreyfus
Banque Nationale de Paris S.A.

Bayerische Hypotheken- und Wechsel-Bank
Berliner Handels- und Frankfurter Bank
Commerzbank Aktiengesellschaft
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bank

Dominion Securities Corporation Harris & Partners
Effectenbank-Warburg Aktiengesellschaft
First Boston (Europe) Limited
Antony Gibbs Holdings Ltd.
Greenshields Incorporated
Hambros Bank Limited

Khalij Commercial Bank
Kidder, Peabody International Limited
Kredietbank S.A. Luxembourgcoise
Kuhn, Loeb & Co. International
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)
Lévesque, Beaubien Inc.

Kuwait International Investment Co. s.a.k.
McLeod, Young, Weir & Company Limited
Merrill Lynch International & Co.
Merrill Lynch Royal Securities Limited
Midland Doherty Limited
Nesbitt, Thomson Limited

W. C. Pitfield & Co. (London) Limited
Richardson Securities of Canada
J. Henry Schroder Wagg & Co. Limited
Smith Barney, Harris Upham & Co. Incorporated
Società Finanziaria Assicurativa (SOFIAS) Gruppo RAS

Société Générale
Tradition Securities Limited
Vereins- und Westbank Aktiengesellschaft
Westdeutsche Landesbank Girozentrale

FINANCIAL AND COMPANY NEWS

Commission backs public appointees on bank boards

BY FAY GJESTER

A ROYAL COMMISSION which has been studying ways of reforming Norway's commercial banks to make them more democratic today delivered its report to the Minister of Finance, Mr. Per Kleppe.

Headed by a former Foreign Minister, Mr. Andreas Cappelen, the 17-member committee has taken nearly two years to reach its conclusions and is not unanimous on all of them. A majority, however, favours one basic innovation—increasing the number of public appointees in the banks' representative councils so that shareholder-elected representatives would be in a minority.

The representative councils should also be given greater authority, the Commission believes. They should lay down the basic guidelines for each bank's activities, though decisions on credit, applications should continue to be taken by boards of directors.

Since the proposed reform would effectively disenfranchise shareholders, the report recommends that those who wish

to be allowed to sell their shares to the State, at any time within three years after the reform becomes law.

Compensation would be in line with the stock market price for the shares—either the price on the day the law takes effect or the average price over the previous five years, whichever is higher.

The Commission does not recommend a State take-over of the banks and assumes that the state will re-sell any shares it has to buy from disgruntled shareholders. Critics here have pointed out that if the State cannot or will not re-sell the shares it has to buy, this could lead to backdoor nationalisation.

On the whole, the reforms proposed in today's report are moderate ones, compared with some ideas that were being ventilated a few years ago by some Labour Party theorists. In a comment, a leading Norwegian banker has even complimented the Commission for doing a good job.

Mr. John Melander, managing director of Det norske Creditbank, pointed out that after a thorough analysis of the banks' activities, the Commis-

sion's members had concluded there were no special grounds for criticising the way they work.

They had "cleared away a lot of misunderstandings and had dropped the idea of converting the banks to self-owned institutions."

Apart from one member (radical MP Mr. Finn Gustavsen) all were opposed to nationalisation or socialising the banks and agreed they should continue to be independent joint stock companies.

While objecting to the proposal that shareholders' representatives should become a majority on representative councils, Mr. Melander said he was not convinced that Parliament would agree to this provision. "I won't believe it until I see it," he told the magazine *Norges Industri*.

Interested organisations and institutions will now be given until end-January to submit comments on the report. Thereafter the Finance Ministry will begin drafting the new law and the Government hopes to introduce it to the Storting (Parliament) during the spring of 1977.

BELL AND HOWELL

Microfilming the files

BY ROY LEVINE

MOST COMPANIES which over-diversified during the rash 1960s are seldom heard of today. One of the few exceptions is Bell and Howell, which acquired more than 25 companies in a buying spree to dilute its interests in the home camera and projector business that reached saturation after with the great Japanese challenge in the early 1960s. Fortunately, in building up its mixed bag, Bell and Howell got involved in the microfilm market long before the recent boom.

The conversion of the group from a camera company into a business equipment company has been quite recent. Most of the progress has been made from the early 1970s, even though the roots were planted when Bell and Howell first became involved in microfilm in the 1950s. The growth has been so rapid that last year the business equipment side (consisting mainly of microfilm) accounted for 45 per cent of sales, by far the biggest contribution, and 53 per cent of profits.

The group has been able to increase market share at the expense of such giants as Eastman Kodak and 3M because of faster growth outside the U.S. and because of its global concentration in the fastest growing sector. Since 1970 the world-wide market has grown at 20 per cent a year to reach sales of \$1bn. in 1976. But average growth at Bell and Howell has been a quarter as fast at 35 per cent.

The group also has an edge by offering total systems, an approach that has meant selling other companies' products or acquiring companies such as Perfec to get into the lucrative computer output to microfilm side, and Micro Design Inc. (MDI), one of the leading manufacturers of microfilm readers.

A strong drive in Europe, led by senior vice-president Gerald Perutz (the only Briton

on the top management Board) and financed by local retailers and banks, helped Bell and Howell nearly double its global market share to 12 per cent since 1971. Indeed, strong European

sales of readers was one of the main reasons for the acquisition of MDI.

The Europeans were concentrating on converting business records on files to microfilm, using microfilm jackets, while their U.S. counterparts were focusing on banks that needed microfilm for security reasons.

With its faster growth, Europe now equals about half U.S. sales. Recently, Perutz has expanded his arena to include Australia, South Africa and the Far East. "The scope is still enormous," he says. "With penetration at perhaps 2 per cent. After all, wherever you see a filing cabinet, we see microfilm."

Currency fluctuations and fifteen years ago.

economic recession have brought a temporary hiccup in the long-term trend. Most of the equipment is imported from the U.S. so the fall in the pound has put pressure on sales. In the U.K., for example (the biggest market outside the U.S. and Canada), sales are up 20 per cent so far this year but only 5 per cent in volume terms.

But hiccups apart, while microfilm and the rest of the business equipment division (mailroom and optical mark readers) has kept buoyant, and the international side has increased its contribution to account for nearly a third of sales and 38 per cent of operating earnings, the U.S. chairman, Don Fry, has been pruning the losers. Last year the correspondence schools were phased out at a hefty \$15.5m. loss to turn the whole group into a 35.7m. loss for the year.

There are still some other divisions that do not fit easily into an "applied photographic company" that Bell and Howell is now trying to become. Its resident schools and instrument-ation side come readily to mind.

At least the learning system and master side do give scope for the 18mm projector to find a market.

The group's early business, consumer cameras, is still incurring losses and it is not until the end of next year that Fry expects this side to break even, producing the new products and sales do merit the investment.

Further disposal, loss elimination and a resumption of the rapid growth in microfilm could converge to allow Bell and Howell to emerge out of the earnings plateau of the past 13 years. That is the only evidence to 1976 that the company is acceptable to shareholders. It shows that Bell and Howell has again found a fitting image for itself, after losing its market

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Amex fears over U.S. corporate finance

By Pauline Clark

FEARS THAT U.S. companies' plans to equip themselves for a continuation of the economic recovery next year may be seriously dented by inadequate stock market support were voiced yesterday by the research department of the London merchant banking arm of one of New York's leading financial corporations.

Analysts at the Amex subsidiary of American Express claimed in a new study of current investment trends that a major shift in investor taste was becoming evident. Investors were now moving away from equities and into bonds and as a result, U.S. companies were likely to feel growing constraints on their capital investment programmes.

According to the bankers, caution among potential corporate investors in fixed plant and equipment had already resulted from a number of developments in the money markets. Greater volatility in reason for the mood of the equity market was one reason for the mood of

insecurity as was the generally depressed equity levels measured in historic terms.

Decline in the proportion of equity in individual portfolios was also detectable alongside a rising ratio of public debt issues. In addition, a decline in the proportion of profits to national income had taken place and the corporate sector was already suffering rising debt/equity ratios.

One of the chief features to come out of the study was the tendency of investors to regard the equity market as the greater area of risk. This was attributed to the greater volatility seen in equity prices in most major economies since the market peaks of 1973. Moreover, underlying volatility in equity markets, the study argued, implied greater volatility of the macro-economy.

The increased aversion to risk on the part of investors is illustrated by the researchers' measurements of equity market relative to their historic levels. Taking the U.K. and West German markets as well as that of the U.S., it was pointed out that yields were higher than would be expected on forecast earnings while price-earnings ratios were lower. Low reverse yield gaps in all three markets were also though indicative of the trend.

Against this background, the researchers stated, a general reassessment of the proportion of portfolios held in equity had to be made. Current professional investment advice characteristically recommended 30 per cent in equities now in contrast to the 50 per cent that was advised in the equity booms of the '60s and '70s.

Moreover, the trend away from equity investments has run into the Eurobond market where there had been a dearth of convertible issues in recent years while new issue data, both in the U.S. and U.K., bore out this trend. In 1972 in the U.S., common stock issues amounted to \$10bn. and corporate bonds to \$26bn. But in the 1973 bull market the figures were only \$7.5bn. for common stock against \$42bn. for bonds.

SOUTH AFRICAN COMPANIES

Glen Anil problems hit Rand Bank

BY RICHARD ROLFE

JOHANNESBURG, Nov. 30.

A FURTHER ripple effect from recent difficulties experienced by South African township developers has come with the latest figures from Rand Bank, the small general bank which has impeccable local parentage in the form of backing from the Sanlam life insurance group through two of its associates.

Rand Bank was identified some weeks ago as one of the eight banks engaged in trying to keep Glen Anil, the biggest South African township developer, afloat in its present financial crisis which stems from excessive borrowing and poor trading conditions.

Rand Bank's 15m. exposure, though smaller in relation to Glen Anil's 185m. debts, was a relatively large figure for the bank with advances, lease debtors and other accounts put at R115m. in the last balance sheet at March 31.

It now emerges that Rand Bank's profits plummeted in the six months to end-September from R510,000 to R253,000 after provisions for tax and for net transfers to contingency reserves. This has left earnings per share down from 13.5 cents to 4.2 cents.

For the second half year, the board says that "in the absence of unforeseen and exceptional circumstances, the profits should be at least half." But this is cold comfort for shareholders when in the previous year second half profits went ahead strongly to lift annual earnings to 31 cents.

This current year, the earnings outlook is far more than about 3.5 cents and the prospects for the old 10 cent dividend is largely a matter of whether the Board is prepared to draw on reserves.

This in turn will depend on how it assesses the duration of the current downturn. But the shares at 55 cents, yielding an historic 12.2 per cent which is much the highest yield in the banking sector, are obviously looking for a cut in the payout. The latest development at

Glen Anil is that a public decision on the company's future has been deferred for about another month. The debt moratorium which originally expired at the end of November has been extended to the end of December while the eight-bank consortium which is making facilities available to Glen Anil considers the company's future.

The report on its properties and land holdings prepared by outside consultants was lodged with consortium members last week but details are not yet available. The suspension of the shares on the Johannesburg stock exchange has been continued.

Doubt remains as to whether the shares, suspended on October 8 at 87 cents, compared with 120,000 shares, have any residual value. Meanwhile the Stock Exchange has disclosed that its investigation into dealings on the day the shares were suspended did not reveal any indications of insider trading.

This is despite the fact that 120,000 shares changed hands during the day, compared with normal trading so far this year in Glen Anil shares, according to the official statistics, of 626,000.

Coal conversion

at Sasol

THE ANNUAL report of the South African Coal and Gas Corporation, better known as Sasol, has some interesting details of progress at the second oil-from-coal plant, known as Secunda, which is now being developed in the Eastern Transvaal. Successful coal gasification tests have been carried out at the Boesjesspruit mine which is to supply Secunda with an eventual annual tonnage of 12m. tons of coal and full-scale mining operations are to begin as part of the programme of preparing a sufficient number of coal fields for the factory.

At the existing colliery, Stigma, which supplies the present plant, 4.6m. tons of coal were mined over the year and a longwall unit was started up. The chair-

man, Dr. P. E. Rousseau, says that "the experience gained at Stigma in high extraction rate mining will benefit the Sasol-II mining activity and the South African coal-mining industry as a whole." In the light of official calls for higher extraction rates, longwall mining is gaining ground and price increases have helped to make the higher capital costs practicable.

Dr. Rousseau says that longer term research to improve coal conversion techniques continues but "it remains unlikely that a viable alternative process to the Fischer-Tropsch route as developed by Sasol will be available for large scale commercial application within the next ten years." In addition, he says that Sasol's consulting services on coal-gasification and liquefaction continue to be in great demand from all parts of the world. But the needs of Sasol II have had to take priority in some cases.

Capital cost of Sasol II is now put at R1,900m. At October, 1975, prices, excluding the cost of the township, interest during construction, and working capital, in early 1977 an escalated cost will be worked out once final contracts have been placed. But the return-on-capital is not expected to vary from initial estimates, suggesting that higher oil prices have compensated for the increased capital cost.

AFROX success
AFROX OXYGEN, 60 per cent controlled by BOQ, has come up with remarkably good results for 1973-76 and a rise in the final dividend from 10.5 cents to 12 cents. AFRAX turnover for the year to September 30 rose from R124m. to R143m. and trading profit from R10.3m. to R15.8m. At the net attributable level the rise was from R5.1m. to R8.6m. to make earnings 9 cents up at 25 cents.

All divisions seem to have performed well for AFROX, particularly the basic gas and welding plant business, aided by the key mining division Dowson and Dobson which has a big

order book from the coal mining industry. A combination of continued expansion at the collieries both for export and domestic trade as well as an intensified trend towards mechanisation should augur well for results in the current year. But within the group as a whole the tendency towards increased internal generation of funds which is evident in the latest results does not suggest much scope for dividend improvement.

Plate Glass which manufactures glass and timber products mainly for the building and shopfitting industries has run into difficult trading conditions especially in the building sector, and did reasonably well to maintain earnings at a level comparable with those of the previous period.

The directors point out that although turnover was higher in money terms, volume was 12 per cent lower largely accounting for the weaker trend in profit margins. Changes in accounting treatment of a subsidiary also depressed the pre-tax figure, but at the net attributable level the figures are comparable with last year's. The interim dividend had been maintained at 11 cents but there is no indication as to the percentage increase in the final dividend. It appears unlikely that the traditional pattern of greater earnings in the second half of the year will be repeated. Some fall below the previous 65 cents therefore looks a little certain.

There will be little consolation from the interests outside South Africa as earnings from the U.K. and Australia will have declined in rand terms and the Rhodesian subsidiaries have already disclosed lower profits.

INTL. FINANCIAL AND COMPANY NEWS

GERMAN CARTEL OFFICE

Yet another turning point

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE FEDERAL Cartel Office is, once again, at the crossroads. The Competition Act which it enforces, or tries to enforce, was thoroughly revised as recently as 1973, but much has changed since then.

Perched high on the crest of the boom, the Cartel Office, which is the drafter of the very detailed Competition Act, did not give much thought to the possibility that it might also have to be operated in times of economic stagnation or depression (the possibility of recession seemed downright unthinkable).

The penalty for this boundless optimism has manifested itself now in the form of the series of "defeats" suffered by the Federal Cartel Office recently in the eyes of the public. The myth of the matter is that even the Cartel Office cannot stand fast against the winds of economic reality.

This has been decisively demonstrated by its decision to allow the rescue of Neckermann, one of the leading German mail order houses, by Karstadt, the largest departmental store enterprise in Europe.

There was no need to consider such niceties of anti-trust law as whether the Neckermann share of the market was significant nationally or in great urban centres, nor whether competition would be imperilled more by letting Neckermann go under than by allowing it to be acquired.

The acid criterion was the need to save 19,000 jobs. One month earlier the same consideration over jobs led the Minister of Economy to overrule the Cartel Office's veto of the proposed takeover of the Arto textile engineering group by Bock. The issue no longer seems to be whether enterprises should be allowed to be saved, but how this should be done with proper regard for bureaucratic dignity.

Bureaucratic dignity is always approved of any special rules in danger when law clashes with for rescue mergers. In the event the political rescue circumstances the law responsibility was too big for the usually has to give way and this Office to bear. It gave way. And it is exactly what the cry now is immediately the cry went up in Germany. The 1973 Competition Act does not provide for the only way of restoring order: rescue takeovers and mergers. The Cartel Office is bound to disallow mergers of a certain size whenever competition is "genuinely" endangered and it is left to the Minister of Economy to overrule towards law reform stimulated

... the issue no longer seems to be whether enterprises should be allowed to be saved, but how this should be done with proper regard for bureaucratic dignity.

It is on grounds of overriding national interest. That means that the Minister can approve the rescue operation only after the Cartel Office has banned it—and the law gives the Cartel Office plenty of time to think first—so that if the issue was left to Bonn the rescue could come too late.

In the case of Karstadt/Neckermann the Cartel Office had to make up its mind by November 22. But on November 18 and 19 (Thursday and Friday) Neckermann started to slide fast into bankruptcy. On Monday, November 22, a spokesman for the Cartel Office had to announce hastily that the Office would not make use of its power to stop the takeover.

This was a sudden about-turn. The Cartel Office gave observers to understand earlier that it would oppose the merger and its recently appointed President, Herr Wolfgang Karstadt, went on record when he said that he dis-

evolved by them for the protection of the small retailers' majority.

Demands for a revision of the Competition Act have also come from other directions. The Consumer Council attached to the Bonn Ministry of Economics is pressing for more consumer protection to be built into the law. It complains that the prescribed Retail Price Maintenance has returned through the back door, under the guise of "not binding" price recommendations.

Consumer organisations represented on the Council demand that they should be given the power to require the prohibition of specific agreements adversely affecting competition and the consumer, and to sue for damages on behalf of the consumers.

They demand similar powers in respect of misleading advertising, and want to take-in legislation which would oblige the advertiser if challenged, to prove the truthfulness of his advertising.

The Consumer Council has also come forward with the far-reaching proposals that the scope of the Cartel Office should be widened, to include the sectors so far exempt from its jurisdiction: agriculture, power generation and banking.

As far as banking is concerned, consumers have an influential ally. The German Monopolies Commission, which reported in the period 1973-1975 now published in book-form proposes drastic restrictions on the control which banks exercise in Germany over other banks.

Barry should be prohibited to acquire further shares in enterprises in which they already hold a 5 per cent. equity interest.

Exemptions from this rule should come within the scope of the German banking law in Berlin and not of the Cartel Office which would thus continue to operate on the fringe of important German trusts and cartels, which are set up and perpetuated by the departments of the large commercial banks.

AMERICAN COMPANIES

Philadelphia options approval

BY STEWART FLEMING

THE U.S. Securities and Exchange Commission has approved a proposal to permit specialists on the Philadelphia Stock Exchange to trade options in order to hedge their own positions. The specialists, who perform a similar role to jobbers in London in trying to maintain orderly markets, will not however be allowed to make markets in options.

The decision is significant because three other exchanges have similar applications in to the SEC which is the agency responsible for regulating share options markets.

The New York Stock Exchange and the Midwest Stock Exchange have presented similar proposals. There have been indications that the SEC is being particularly cautious about the NYSE proposal because of reservations about competition on the Exchange and also because of its importance as the major market in which the shares underlying the options are traded.

In approving the Philadelphia application the SEC made the point that Philadelphia's total share of market volume in the stocks underlying the options is only 1.7 per cent. Therefore, the manipulative potential inherent in changing the current restrictions appears insignificant.

At present only "call" options to buy shares are allowed in the U.S. options markets although a number of applications to start trading "put" options to sell shares in the future at the

option price are being considered by the SEC.

Goldman acts for ARCO

ATLANTIC RICHFIELD Company (ARCO) has selected Goldman, Sachs and Co. to act as broker for the purchase of the company's common stock for various short-term plans of the company and certain of its affiliates reports U.S. from Los Angeles. The purchases to be made by Goldman, Sachs will be on the open market and will commence in December. Substantially all the purchases of the company's stock for the short-term plans are currently made directly from the company.

The purchases will be subject to certain volume, timing and bidding restrictions imposed by the Securities and Exchange Commission.

U.S. bank confidence

FEAR has given way to confidence in the U.S. banking industry, a leading American banker said today. "The calamities that some foresaw in the severe economic shakeout of 1974-75 which cut the market price of bank stocks in half have not come to pass," said Mr. Roger Anderson, chairman of Continental Illinois Corporation, holding company of Continental Bank of Chicago, the seventh largest U.S. bank. Mr. Anderson told a meeting

Fiat share rumours denied

By Tony Robinson

PERSISTENT RUMOURS on the Italian Bourse and in Switzerland that the Agnelli family were negotiating to sell a packet of Fiat shares either to an Italian State Corporation, a U.S. motor manufacturer or to Arab interests were dismissed as being "completely unfounded" by the official Fiat spokesman Sig. Luca di Montezemolo to-night.

He added that the rumours had arisen after a significant rise in Fiat Ordinary and privileged shares in recent weeks. Ordinary shares started the month around Lire400 and closed on the Turin Bourse to-day at Lire1,728 while the privileged shares were around Lire800 at the start of the month and closed to-day at Lire1,035, Lire20 down on yesterday's close.

The Fiat spokesman attributed the recent rise, accompanied by selective buying of other industrial shares like Pirelli, to Fiat being one of the few quoted Italian companies not weighed down by excessive debt while, on the other hand, Fiat's earnings in the last 6 per cent. average price rise announced last week indicates, it has been able to keep prices in line with inflation. This explanation was endorsed by Milan Bourse sources who indicated that rumours of a share sale by the Agnelli family appeared to be a typical speculative manoeuvre.

Nine month sales gain at GB-Inno.

By David Buchan

BRUSSELS, Nov. 30. INTERIM results for GB-Inno-BM, Belgium's largest retailing chain, show turnover for the first nine months of this year at BFRs45bn, which is 20 per cent up compared with the same period last year. Net provisional profit is set at BFRs322m, for a period that is generally much slacker than the past three months.

In 1975 GB-Inno turned a loss of BFRs12m, for the first nine months into an overall profit for the year of BFRs212m. A GB-Inno spokesman said that it was still too early to gauge whether the fall in sterling would lead many of its customers whom it had in Britain. But they conceded that many might be tempted to do so in the immediate run up to Christmas, particularly more expensive items. The Brussels Press has carried reports that in recent weeks many Belgians returning from British shopping sprees have exceeded their duty-free allowances: only on next July 1 will all remaining duties be abolished between the old and new EEC member states.

In line with Belgian practice, GB-Inno has not announced any interim dividend. It is only because of a recent recommendation from the Brussels Stock Exchange Council that an increasing number of companies are publishing at least some interim figures.

Int. Harvester recovery INTERNATIONAL. Harvester has reported a recovery in fourth quarter net profits to \$40.1m, or \$1.69 a share. In the comparable period last year, the company recorded a loss of \$40.5m.

EUROBONDS

Demand for Polysar

BY TONY HAWKINS

DEMAND for the \$25m. Polysar 12-year bullet issue is understood to have been very strong indeed and there is speculation that the size of the issue will be increased to between \$40m and \$50m. The Polysar issue on a 5 1/2 per cent. coupon is to be priced to-day with market sources hinting that it has been oversubscribed several times already. The lead manager is Wood Gundy.

The Dow Chemical private placing, increased from \$100m to \$120m, has started strongly in the secondary market. The 10-year bonds carrying interest at 6 per cent. and issued at par of a point down. But buyers were encouraged by the combination of a steadier tone in the currency in the afternoon and the attractiveness of yields at the lower price levels.

Accordingly, there was strong buying in the day so that Canadian bonds were either unchanged, or in some cases even better, on the day's trading.

However, very active conditions continued in the Canadian dollar market. The morning on the selling in the Canadian dollar and at one stage, bond prices were about three-quarters

of a point down. But buyers were encouraged by the combination of a steadier tone in the currency in the afternoon and the attractiveness of yields at the lower price levels. Accordingly, there was strong buying in the day so that Canadian bonds were either unchanged, or in some cases even better, on the day's trading.

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SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

STRAIGHTS	Offer	Rockwell 5pc 1983	Mid	Offer	Rockwell 5pc 1983	Mid	Offer
Alcan 5pc 1988	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 1993	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 1998	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2003	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2008	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2013	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2018	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2023	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2028	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2033	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2038	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2043	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2048	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2053	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2058	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2063	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2068	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2073	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2078	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2083	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2088	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2093	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2098	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2103	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2108	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2113	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2118	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2123	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2128	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2133	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2138	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2143	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2148	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2153	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2158	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2163	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2168	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2173	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2178	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2183	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2188	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2193	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2198	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2203	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2208	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2213	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2218	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2223	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2228	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2233	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2238	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2243	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2248	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2253	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2258	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2263	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2268	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2273	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2278	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2283	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2288	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2293	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2298	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2303	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2308	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2313	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2318	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2323	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2328	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2333	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2338	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2343	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2348	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2353	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2358	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2363	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2368	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2373	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2378	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2383	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2388	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2393	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2398	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2403	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2408	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2413	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2418	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2423	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2428	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2433	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2438	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2443	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2448	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2453	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2458	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2463	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2468	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2473	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2478	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2483	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2488	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2493	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2498	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2503	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2508	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2513	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2518	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
Alcan 5pc 2523	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2	104 1/2
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Costs of cancer research

By DAVID FISHLOCK, Science Editor

"ANY FOOL can cure cancer—what takes brains is to cure cancer without killing your patient," remarked one of Britain's foremost cancer research workers at a seminar on the latest progress in treating this disease, arranged by the Cancer Research Campaign in London recently. Professor Philip Bondy, from the Institute of Cancer Research, had previously admitted that, compared with the optimism being publicly paraded only a few years ago about finding a cure for cancer, progress had really been "terribly disappointing."

But even if it were unrealistic to talk about "having cancer on the run," he said, it was nonetheless true that the medical scientists had ideas for doing a good deal better in future. The big problem now was that if the ideas were to work the scientists would need not only brains but a lot of cash—not for research but for treating patients.

Because cancer is such a common disease—between 20 and 30 per cent of Britons living to-day will die of cancer—it is not usually classed by the public as a costly disease to treat, compared with say treatment on an artificial kidney or organ transplantation. Yet it is expensive, and the path of greatest promise at present will take it into still more costly fields.

To give some idea, the projected regimes for patients the scientists now talk about cost between £200 and £3,000 per patient per year in drugs alone, depending on which medical scientist you talk to and the particular regime he is advocating. But it is still only part of the cost of treatment that includes some of the most expensive machines used in medicine.

Any idea of finding a "cure for cancer," an idea that was buoyant in the 1960s, has completely evaporated to-day. Cancer is now recognised as a large group of very diverse diseases—comparable, say, to the infectious diseases—each of which will require a specific form of treatment. But, unlike the infectious diseases, the course it will take will differ significantly from patient to patient. So each will require a regime carefully tailored to his specific problems, synthesised by a team of specialists.

Treatment with drugs of one kind or another will be at the heart of the regime—chemotherapeutic agents which attack the tumour itself, hormones, immuno-suppressants, etc. A very large number have now

been tried, and a handful isolated as showing enough promise to persevere with. Most were known and used a decade ago but for a number of reasons look much more attractive to-day, not least because regimes are slowly being worked out that make them less dangerous to the patient. The underlying problem here is that the aberrant behaviour in living cells that leads to a cancer is so little different from their normal behaviour that it is extremely difficult to find a drug and regime which will attack one without damaging the other.

Sophisticated

But Professor Bondy confesses that "we've been doing something rather stupid." The scientists have long been testing new drugs on tumours induced in animals, of a kind known to be specially susceptible to chemotherapy. Only lately, with the success of increasingly sophisticated drug regimes, has it been realised that such animal tumours might not be a good model for human problems. Most anti-cancer drugs turn out to be most effective on tumours in the early stages, when they are still very small.

To-day they are able to use animal models more closely related to the disease in humans, created by grafting human tumours on to animals such as mice, which have had their natural capacity to reject foreign tissues neutralised. Drugs and dosages once rejected are being shown in a different light.

But other promising trends are emerging. By combining two or more drugs the scientists are sometimes able to get a more powerful response—"potentiation"—without increasing the risk for the patient. This encourages the idea that what the scientists call more "aggressive" therapy—larger doses of drugs—may be possible, than hitherto.

At this point the surgeon comes into the picture. Removal of tumours is one of the main reasons for surgery nowadays. Ideally, the surgeon wants to remove intact the entire tumour and some healthy surrounding tissue which may have been infiltrated. How much healthy tissue he will want to remove depends on the cancer, its location, the stage in its development, and what the patient can stand. Often it will be less than the ideal amount.

Moreover, surgery obviously cannot eradicate a cancer

whose metastases (secondaries) have infiltrated more distant parts of the body, or where it would mean the removal or damage of a vital organ. In these circumstances he must first rely either on drugs, or more probably treatment with radiation, to reduce the inoperable to an operable tumour.

One surgeon specialising in cancer who is optimistic about the combined use of surgery and other techniques is Professor Kenneth Calman of the University of Glasgow. He cites a recent study showing that by not worrying about removing the tumour in its entirety, but treating what remains by other techniques, patients have been given better chances of survival.

Similarly, treatment with radiation—about half of all cancer patients are treated at some stage with radiation—is beginning to show much more promise when combined with other techniques. One example is a type of chemical called a "sensitiser" which makes the tumour cells—especially if deprived of oxygen—more susceptible to the ionising rays. Less conclusive at present is the idea, being tried at the Hammersmith Hospital, London, of placing the patient in an oxygen tank under pressure while he is receiving radiation treatment, to try to force extra oxygen into the tissues.

The likelihood of dramatic discoveries in treatment by X-rays or gamma-rays, used since the discovery of radium, is not very high. But the technology is still advancing in terms of the specificity of the treatment. At one end of the scale are the big machines such as the Van de Graaf accelerator nearing completion at Mount Vernon Hospital, near London, at a cost of £830,000. This machine will generate an unprecedented profusion of rays—X-rays, neutrons, protons, deuterons, d.c. electrons, pulsed electrons—all of which have excited attention. At the other end of the scale there are ingenious ways of introducing potent packages of radiation, in the form of radio-isotopes, deep into the body, close to the site of the tumour. In one case a robot is being developed to do this so that the medical staff will not be harmed.

Another big tool of cancer treatment is the cyclotron as a source of fast neutrons a form of radiation which has shown itself less dependent for success on oxygenation of the tumour. Research budget, but can no longer hold out hopes of pinning down a "cure for cancer."

Hospital since the late 1960s has led the Cancer Research Campaign to help finance a new one, nearing completion in Edinburgh, at a capital cost of nearly £1.25m, and running costs of £100,000 a year.

And a type of tool every cancer specialist seems to agree will make an immense contribution is the CAT-scanner, the new computerised systems for X-raying soft tissues such as the brain and other organs, pioneered by EMI. Although expensive—the EMI-Scanner can cost anything from £180,000 for the barest brain-scanner to £250,000 for a body-scanner with all the trimmings—these instruments can provide not only early detection but much more information about the dissemination of cancer throughout a patient, and thus his likely response to a given regime.

What above all is exciting the medical cancer scientists to-day is the idea that, from this diversity of techniques, teams of specialists could develop regimes tailored to a particular situation, which would greatly improve the life expectancy of the patient. In the case of one group of cancers at least—that embracing leukaemia, lymphoma and Hodgkin's disease—there is good evidence now that it works.

Specialised

To take an example, following surgery or radiation to excise the primary tumour, the patient may be placed on a regime of drugs designed to "mop up" the any residual or latent tumours. (A tumour will not become apparent until it is composed of more than 1bn. cells.) This may mean treating apparently healthy patients with very potent drugs over long periods, and monitoring their progress with a CAT-scanner. One U.S. estimate has put the cost of giving a woman with breast cancer a five-year chance of survival, using drugs and monitoring her progress by advanced diagnostic aids, at \$58,000.

To quote the Edinburgh surgeon Professor A. M. P. Forrest, the haphazard approach is no answer to cancer. "It is now becoming a very specialised area indeed."

But the conclusion to be drawn, say the cancer specialists, is that cancer research—which at £1m. a year may seem itself less dependent for success on oxygenation of the tumour. Research budget, but can no longer hold out hopes of pinning down a "cure for cancer."

New Issue
December 1, 1976

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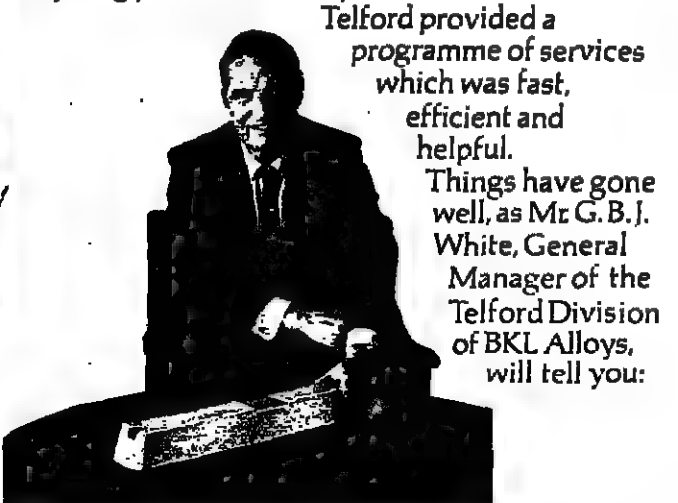
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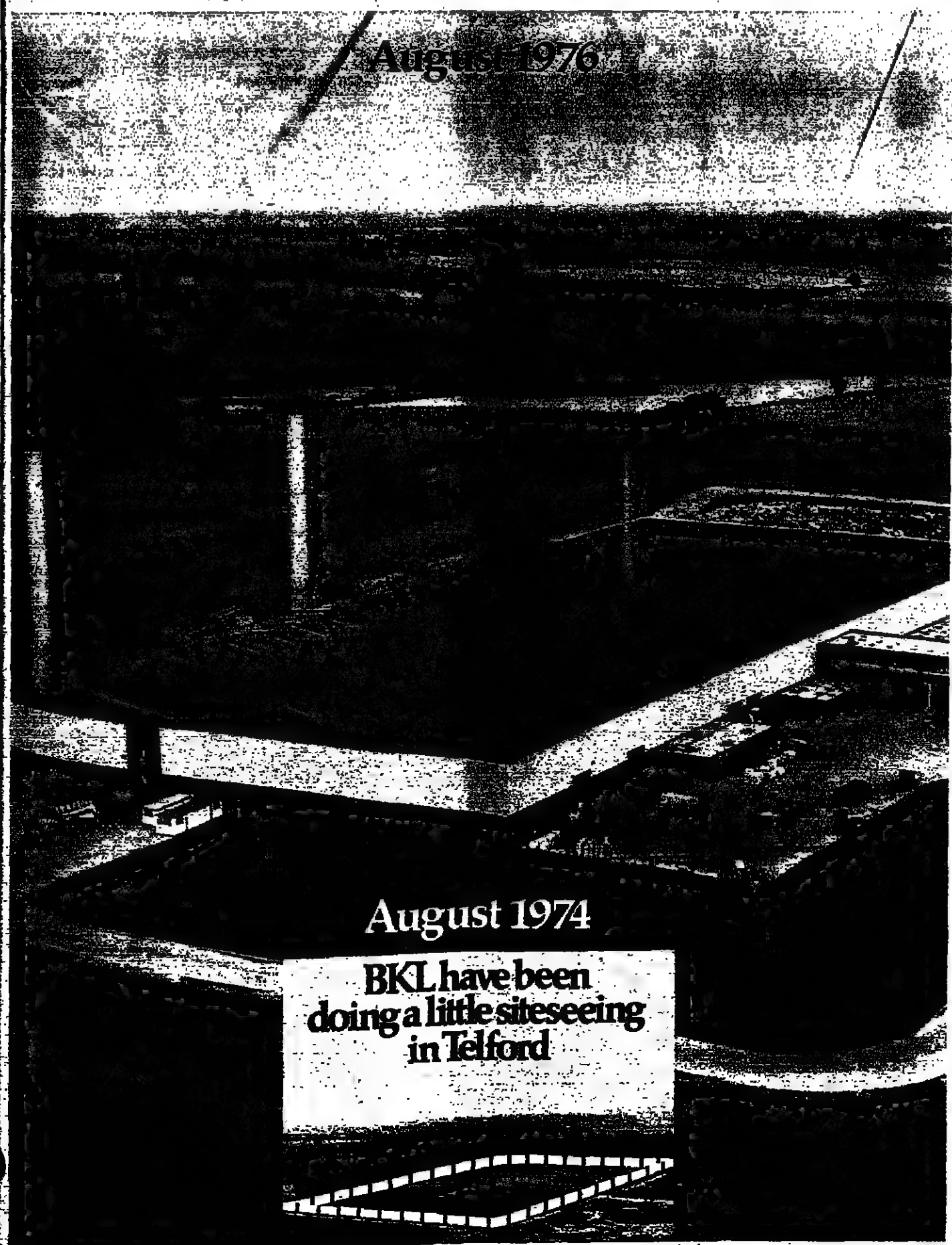
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FINANCIAL TIMES SURVEY

Wednesday December 1 1976

Unit Load

Pallets and other unit load devices are essential to an efficient transport industry and are becoming more flexible in their use. But rising costs are forcing manufacturers and users to look carefully at the economics of these operations.

Adapting to new needs

By Lorne Barling

AS WITH many other industries, the introduction of new techniques and technology to the business of moving goods efficiently and securely has brought about fundamental changes. The simple wood pallet remains the basic tool of the industry, but it is being continually challenged by new products.

The country's major users of pallets or other forms of unit load, ranging from the major food manufacturers to heavy industry, have become more aware that for secure and efficient delivery of products, they must keep abreast of every innovation and improvement.

It has become increasingly clear to these companies, some of which buy up to 300,000 pallets a year, that these units must be adapted in the best possible way for the product concerned to be shipped efficiently. In the past various forms of rough covering were used to protect goods on the pallet.

Now these coverings or other forms of protection have become a highly specialised sector of the overall unit load industry, of which pallets remain the major part, with an annual U.K. turnover of £40m. The most widely used form of covering is plastic film, applied in two fundamentally different ways, but which has the major advantage of being hygienic and inconspicuous if not difficult for pilferers.

These are known as shrink wrap and stretch wrap, and are familiar to the consumer in the slightly different forms in which they are used for packaging food and other consumer products. The supply of equipment for the purpose of covering unit loads has now become an important aspect of the industry.

More and more companies are examining the different types of products available to protect goods, such as the fastest expanding sector of the industry, the pallet box. This is basically a heavy duty board container attached to a conventional pallet, which is ideal for goods which may be difficult to hold in place by normal methods. Although not yet widely exploited, it offers excellent advertising potential.

But the basic concern of manufacturing industry, as always, is how to achieve its aims at a reasonable cost. In the past the cost of pallets was never regarded as particularly significant against other overheads, but the steep rise in the price of wood in recent years, exacerbated by the fall in the value of

sterling, has had serious implications. Companies have also become more and more cost conscious due to economic conditions.

These high costs, as industry is well aware, are due mainly to the extremely high losses of pallets. In 1967 concern reached such a level as to prompt Government consideration of setting up a pallet "pool" which would allow the recycling of pallets for further use, rather than allow them to be stolen or taken up for other purposes.

Rental

However, it was later decided that this should be the job of the private industry, and last year a great deal of research and a great deal of research such an operation was started by a newly formed company, GKN Chep, which is jointly owned by the Brambell Group of goods, such as the fastest expanding sector of the industry, the pallet box. This is basically a heavy duty board container attached to a conventional pallet, which is ideal for goods which may be difficult to hold in place by normal methods. Although not yet widely exploited, it offers excellent advertising potential.

Although the recent demise of the pallet recovery scheme operated by the Food Manufacturers Association can perhaps be attributed largely to the defection of Spillers and Nestlé to the GKN Chep pool, they continue to be considerable arguments over the way the pool was set up. Some critics suggest that in the long term it may be better for pool pallets to be owned by



Stacking caged food items in the Tesco hypermarket at Trilam.

the member companies and exchanged, rather than be owned by the operator. These exchanges could be monitored by computer and the need for returning them to a central point for recycling would be eliminated. However, GKN Chep's inroads into the food industry, which accounts for around 42 per cent of the total market, cannot be discredited.

It is apparent from recent statements by GKN Chep that they already regard their operation as a national system and

they have the membership of companies such as Tate and Lyle, Brooke Bond Oxo, Allied Breweries, Colgate Palmolive and Rank Hovis McDougall to prove the seriousness of their claim. So far there have been no major setbacks, and new investment is continually being made, but only experience will prove whether the system will prove efficient if it becomes universal in the U.K.

One area of concern is perhaps the cost of rental in the long-term. It is estimated that

the average cost per journey of a pallet, taking into account its cost, amortisation, depreciation and other factors, is 88p; this effectively rules out the prospect of a disposable pallet for use within the U.K., although deliveries abroad are a different matter. Whether GKN Chep can remain competitive as over-heads for a national system grow, also remains to be seen. The company believes, however, that rental charges will not become a problem.

From the point of view of the pallet manufacturer, GKN Chep is a fine customer, but again in the long-term it could bring about difficulties. If, as is hoped by the users, pallet losses are progressively reduced over the years, demand for new units will decrease substantially and have severe effects on the manufacturers. Some would argue that this is unlikely, but a number of these companies have already started to diversify, decreasing their dependence on pallet manufacture.

Some have moved into metal pallets, keg spacers, cable drums and shrink wrap equipment, perhaps believing that innovations are going to change the industry to the extent that their fairly simple skills of pallet making could easily be overtaken by events. Even more significant is a recent inquiry from a major public company on production of its own pallets, tailored to meet its specific needs, and perhaps for sale on the open market.

some of which are available because of diversification, will be on display at the Unit Load Show being held at the Wembley Conference Centre, from December 7 to December 10.

There are indications that more companies may invest in production facilities of this kind, particularly for specialised jobs. For example, G. R. Stein of Sheffield has set up manufacture of unit load products for the transport of its refractory bricks.

At present pallet manufacturers are still working below capacity, although at an improved level compared with the start of the year; nevertheless, because of its dependence upon the food industry, and the persistence of losses, demand normally remains fairly stable. The level of stocking in industry generally is one of the main yardsticks of demand.

Triggered

Demand is also increasingly sensitive to price, which is determined largely by imported wood prices. Although the majority of timber used for pallets comes from Portugal, the price of this timber is usually dependent upon the price of Russian timber, which tends to dominate the market. In turn this is geared to dollar-sterling exchange rates, and a price rise was triggered recently when sterling fell below the \$170 barrier. Recent pallet buying levels are believed to reflect efforts to beat price rises.

In the wider context, there is no doubt about the overall growth in pallet use. It is estimated that at an average selling price of £3.50 to £4, the overall turnover of the U.K. manufacturing industry is up to £50m. a year, with production currently at about 12m units a year. The six largest companies produced about 43 per cent of the total and the top ten 58 per cent. For example, according to their largest producer, has an annual output of about 12m pallets at an average price of £3.50 each.

But the most accurate figure comes from the National Wooden Pallet and Container Association in the United States, which show that in 1972 there were more than 134m units produced and sold in the United States. Growth over the previous year was more than 12 per cent, the largest in any single year. It is predicted that around 400m pallets will be sold annually in the U.S. by 1985.

Just as standardisation and rationalisation of the industry is occurring in industrialised countries, it is increasingly likely that international agreements will come about, though perhaps in the distant future. There is no doubt that third world countries will play an important role in this development, particularly in relation to the transport of semi-finished goods. But the implications are considerable when considering the estimate that if all palletisable traffic was palletised worldwide, the annual pallet requirement would exceed 3.4bn. a year.



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UNIT LOAD II

High hopes for pallet pool plan

UNDOUBTEDLY THE most significant event in the U.K. pallet industry in recent years has been the introduction of the GKN Chop pallet pool, which has wide implications for all concerned in their use and manufacture.

From a cautious if well prepared start in April last year, the company now has around 200 companies renting its pallets and about 2,000 handling them in total. It has about 450,000 pallets rented out and believes that figure can be doubled in the next year.

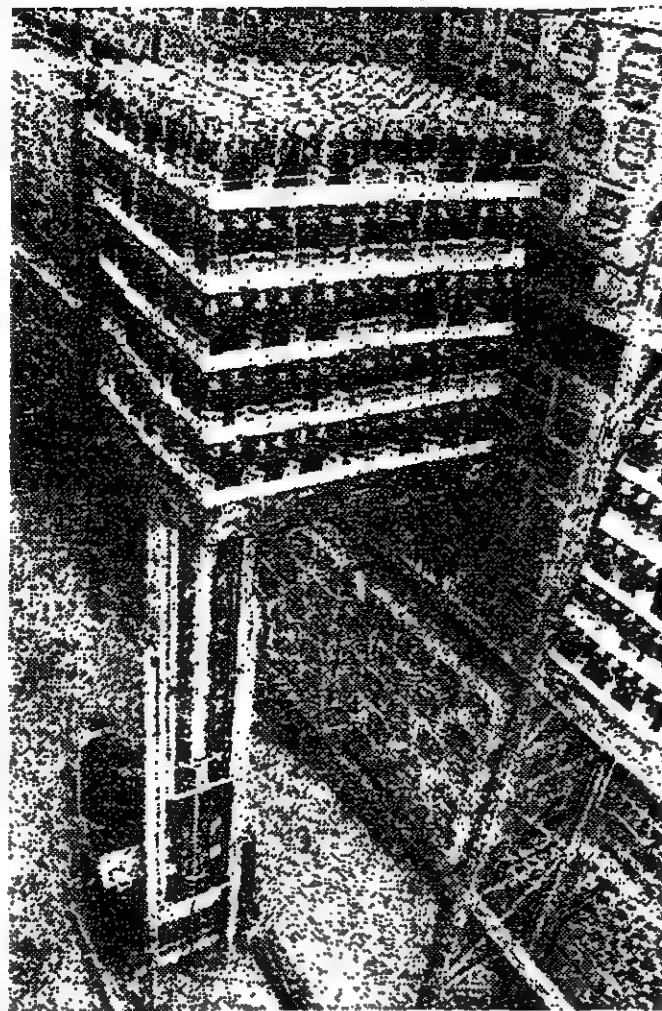
The operation took two years of market research and planning, followed by months of setting up. This involved recruiting and training about 100 people, obtaining national depot coverage, pallet procurement, specification, testing and other work. The new company concentrated mainly on the food industries at the start and has been largely successful in winning the confidence of major companies.

Mr. John Jessup, managing director of the company, recently outlined what he believed to be the most significant advantages of the scheme. The first of these concerned the quality and maintenance of the pallet, which could be kept consistent through pooling, second, one standard size and design of pallet had considerable handling advantages. There was also a great saving of labour in the reduction of sorting empty pallets. The more companies using the one standard pallet, the easier it is for warehouses to give the pallet turnaround service, so important for both retailers and their suppliers.

Support

He believed that the support of consignees was an important aspect, because without their co-operation no pallet control system could work in any industry, let alone the food industry. The ability of companies to operate a pilot scheme with the company, to judge its application to particular circumstances, is also regarded as significant.

"Anyone in business, in these hard times will, I am sure,



GKN Chop pallets in a groceries warehouse.

accept the fact that the decision to go over to a new and relatively untried system is not undertaken lightly, nor without the expectation of financial benefits. Those who have completed their pilot programmes know that the savings can be very significant indeed," Mr. Jessup claimed.

The company is now concerned at the need to extend the pool into all industries, and is at present gaining experience through clients in several other industries. "We will move into these on a planned basis when we are confident that their total distribution patterns can be catered for by our resources," he added. So far present clients had involved more than 100

independent transport contractors in operating the system on their behalf. Several public warehousing, transport and distribution companies were now hiring from the pool for their own purposes.

Although the system has and is adapting to conditions, it was set up to work on the basis of daily rental of pallets, with rental responsibilities being passed on to the recipient of the palletised goods or retained by the sender. Pallets may also be exchanged between companies which use pool pallets. Eight depots were set up initially, with a staff of around 100, to operate control procedures, and facilities were gradually established for pallet

exchange in warehouses all over the country.

Pallet recovery, the other principal means of reducing pallet costs, continues to be aimed at getting the co-operation of the recipient. It was suggested by Mr. R. J. Harris, managing director of Pallet Recovery Service of Crawley, that users must emphasise the cost aspect to their customers.

It should be pointed out, he says, that unless the distribution cost of the item is reduced, or at least held, it would only increase the cost of the item concerned. Not only was it important to get the pallet back, but it was just as important to ensure that the ones received back are in a condition where they can be used immediately.

The PRS scheme is based on appointing the company as collecting agent and then informing it each month of the number of pallets put into each collection point. It was important that this collection should be done as soon as possible, for the obvious reason that many companies have so little space in which to store pallets that they are soon dumped in places where they are likely to deteriorate or be destroyed.

When collected, the pallets are taken back to company depots, where they are inspected for damage and sorted for return, and the company is legally required to point out to clients and their employees the dangers of using pallets which are not up to standard. Repairs are also carried out where possible. The onus is completely on PRS to ensure that it returns pallets which can be used immediately.

As with other recovery schemes the problem of identification continues to be a major one. Those "foreign" pallets collected by PRS, along with the thousands of others they handle, are set aside and the rightful owners informed where possible. "We know that because of the service we offer, we have saved many thousands of pounds in the distribution costs of many companies, besides relieving them of the considerable administrative burden, while at the same time they are able to retain complete con-

trol and ownership of their pallet population," Mr. Harris claims.

The problem of identification has been partially overcome by various means such as colouring or stenciling, but a more ingenious method has now been developed in which a coloured plastic plug, with barbed sides, is driven in to the pallet and made flush with the wood. This is extremely difficult to remove, and could prove to be a popular means of identification in future.

On the overall cost of pallets, Mr. J. M. B. Mead, chairman of Tilgate Pallets, points out that between 1960 and the early 1970s, the cost of a pallet to continue from a healthy stable commodity market. This, he suggests, was a measure of the efficiency, and the investment, which the pallet industry was able to achieve, thus passing on the benefits to the buyer.

Prices since 1972 had more than doubled, due to the commodity boom, but there had

been some slight easing since then. Given a reasonable balance between supply and demand in the future timber market, it was likely that a more stable underlying situation would arise for the cost of timber. But other cost elements were all directly affected by general inflationary trends.

Reflected

"One may therefore conclude that timber pallet costs will continue to rise due to all these factors. In spite of the present economic climate, these cost trends must be reflected in the price of pallets if supplies are to continue from a healthy stable commodity market. This, he suggests, was a measure of the efficiency, and the investment, which the pallet industry was able to achieve, thus passing on the benefits to the buyer.

According to one source, sales in the U.S. and Japan are increasing substantially, though not

significantly in terms of overall pallet sales.

According to Mr. E. Muir Smith, a materials handling consultant, there are two major drawbacks in plastic pallets. The first is the loss rate, which continues to discourage companies from buying more expensive pallets, whatever other qualities they may have. The other, he suggests, is that there is no general purpose plastic pallet in existence at the moment, such as one which will take a distributed one time load in drive-in racking.

The one possible exception is the pallet developed by World Wide Plastics.

However, he does make the point that about 15 years ago wooden box-makers decided the changes of plastic bottle crates being successful. Given the rapidly changing circumstances in which pallets may be used in future, this could well be a pertinent observation.

L.B.

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Caging catches on
in a big way

CAGING LOOKS all set to become one of the most important new developments in grocery retailing for years. Asda pioneered the concept, which has Continental origins in the U.K., and its success has been quickly followed by Tesco (perhaps too quickly), and by Fine Fare. Keymarkets and Sainsbury were not far behind. Now all the major multiple groups are taking a hard look at this new method of distribution.

Basically caging means smoothing the progress of goods off the production line and into the housewife's basket. Ideally at the point of manufacture the brands are packaged into cages, and they stay there until the shopper slips into the cage on the shop floor. There is no loading and unloading; less need for costly storage in warehouses; no

burdensome shelf-filling. The manufacturer should handle the job which has been a traditional chore for the retailer's warehouse and shop floor staff.

This immediately creates one of the problems with caging. At the moment, few manufacturers cage more than a small percentage of their output. It is costly for them to make special packaging arrangements from the production line and into cages for small quantities of goods destined for a handful of customers, albeit the major customers. There is the additional chore of retailers often asking manufacturers to price-mark the goods. Manufacturers are well aware of the savings to the retailers of caging, and now they are expecting some financial reward for their co-operation, or at least the assurance

that they will not be carrying extra costs because of the new method. They are sometimes convinced by the argument that caging guarantees a good in-store display and a saving on merchandisers.

But in the main the retailers are likely to get their way, for the economies from caging are considerable. Distribution accounts for 20-25 per cent. of the cost of a grocery products (depending on what it is), and cages can save at least 5 per cent. on this. But then there are other less tangible benefits. According to Keith Padden of Fine Fare, the labour costs are 60 per cent. of the expense of running a store, and since caging eliminates time-consuming price marking and greatly facilitates the movement

of goods from the warehouse to the selling area, this major cost area can be cut by 15 per cent.

In addition there is saving in storage space. At Asda, for example, the majority of caged goods are delivered to the stores at night and wheeled straight on to the selling floor, by-passing the warehouse altogether. In some cases this has enabled Asda to extend its selling space in 80 per cent. of its total area of the store, as against 50 per cent. before the innovation. Indeed Peter Firmston-Williams, the Asda managing director, reckons that cages are the biggest single factor in the company's ability to control costs and to increase profits. It is now the fourth largest grocery retailer in the U.K.

Asda is the ideal company to

(CONTINUED ON NEXT PAGE)

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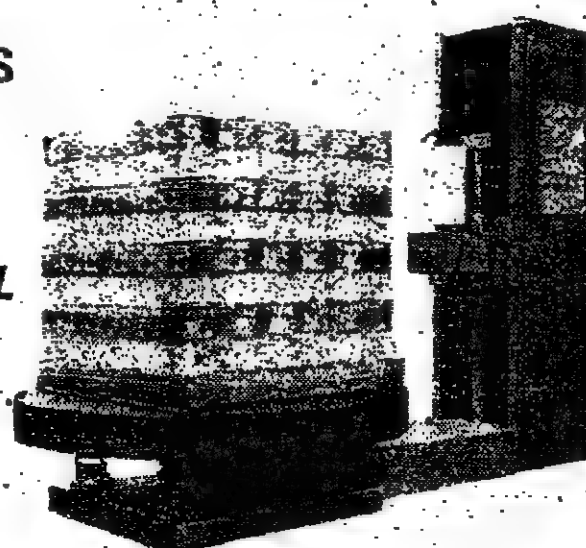
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Pallet Boxes
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THE WRAPPING and securing of palletised loads can be achieved in an infinite number of differing combinations to achieve protection for the goods, and the right combination depends largely on the type of goods and their destination. Most companies have realised the importance of getting this right, and many have invested in expensive equipment for wrapping, but the many recent advances may raise some doubts about the decisions, particularly in relation to costs.

Shrink wrapping, the method of shrinking plastic film round the pallet, can be achieved in three basic ways. The first, used mainly where a high volume of goods is being handled, is by means of a heated tunnel or oven, through which the palletised load is passed. Capital outlay on this can be expected to be in the region of £8,000.

Second, where a limited

capability is required, the hand held gun is used to shrink the film on to the load. Although these are manufactured in the United States and Germany, the U.K. demand continues to be strong. They are now being used in some cases as a multiple battery, in fixed positions, as a compromise between the tunnel and the hand-held method. A single gun costs up to £500.

Stretch wrapping, a technique introduced fairly recently, is normally achieved by winding and stretching plastic film round the load. Although it has the disadvantage of leaving the top exposed in some cases, it has to its credit the safety aspect of not needing heat and is sometimes regarded as more suitable for fragile goods. This method is also less expensive, with a high-capacity system costing around £3,000.

But perhaps the most relevant point is that this form of wrapping is also a method of holding unit loads together and integrating them with the pallet. It may be possible, as a result, to use a cheaper and lighter pallet, or possibly an expendable one. For that reason a company should consider the economies of shrink and stretch wrap in conjunction with the pallet itself and not as separate entities.

System

As Mr. M. J. Carpenter of the National Materials Handling Centre points out, the objective is to produce a unit load which can be handled safely by machine, and the pallet and the unitisation system should be thought of as a system if the right combination is to be achieved.

The packaging consultant to Rockware Glass, Mr. R. Woodward, looks at it in a slightly differing way, suggesting that the first thought should be on what is to be achieved. For example, it should be decided whether only modest protection without any attention to the actual security of the load is needed, or whether it is first class protection combined with good load stabilisation.

Whatever the decision, it is also likely to be influenced by the importance of avoiding pilferage of the goods and keeping them clean and tidy, with the added possible requirement

of protection against the weather.

The use of stretch wrapping is growing fast, although it does have some drawbacks. For example, if the top of the load must be protected from dirt or pilferage, an extra piece of film has to be used, since the stretch wrap only protects the sides. However, this method can be used with goods which themselves are covered with shrink wrap without getting the two films fused together.

The method is also considered good for articles which have sufficient weight to resist the strain of the film being wound round the load, but on the other hand stretch wrapping cannot be used with bulk palletised loads of cans or bottles because these can easily be displaced by the tension of the film.

For shrink wrapping of good quality, it is regarded as essential to use an oven or tunnel, as the hand gun will not generally produce the same results. The gun is extremely labour intensive and depends largely on the skill of the operator. Similarly, a thinner film can generally be used in a tunnel.

The type of film used depends to a great extent on the strain which is likely to be placed on the load, and this is obviously determined to some

extent by its destination and the type of handling it will receive.

Mr. Woodward said: "One should look at the total mechanism. For example, what you are prepared to invest in equipment, the type of labour you have and the particular throughput. It should be noted that with both techniques there must be sufficient floor space for the equipment."

Another alternative, which requires no outlay of capital, is shrouding of loads with plastic bags of the corresponding size, but this provides no stability and, unless restrained, tends to flap, and protection from dirt is only minimal. However, the technique is simple and requires no mechanical aids or a great deal of labour.

Dividing

Mr. Woodward adds: "Looking to the future, it is quite clear that with the considerable amount of interest in stretch wrapping, this area is likely to grow fast. However, shrink wrap is doing the same and at present it would appear that the two are complementary and will not compete too strongly. It will be interesting in two or three years' time to see how the market is dividing."

On the question of cost, it is estimated that hoods or bags

to be used with a gun will cost around 60p, and the energy used in shrinking it (either by electrical or gas heated gun) would amount to 2p-5p. Shrink wrap enclosures will cost an estimated 2p per pallet when gas fired. Stretch wrap costs depend largely on the type of material being used and a number of other factors, although there is not much between the cost of each system.

Other advantages of shrink wrap and in some cases stretch wrapping are considered to be that the same hoods are compatible with loads made up of small or large packages; that the system is effective with irregular shaped loads; that parts of the hood below the level of the pallet deck are not liable to serious damage; and that the nature and condition of the load can be observed through the film. Corner or other protection against the pressure of the film is not usually needed as the pressure is usually evenly and gradually applied.

With the considerable investment required to establish any of the larger scale systems it would appear essential to establish the aims of that equipment and to seek advice from experts on how to achieve it at the lowest cost.

L.B.

CONTINUED FROM PREVIOUS PAGE

Caging

pioneer caging. Its stores tend to be large to the extent of becoming superstores, and caging is really only practicable where there is plenty of floor space for the cages. In addition it concentrates on the basic branded grocery lines so that 80 per cent. of its grocery turnover comes from just 250 lines—and caging is best adapted for fast moving products.

ASDA has also been successful in persuading manufacturers to deliver direct to its stores: those multiples that run central warehouse automatically lose some of the advantages of caging.

ASDA would expect 25 per cent. of its turnover in a new superstore to be caged, and reckons in time that this can move up to 80 per cent. It believes that the obstacles to further expansion are not the type of product (it satisfactorily cages lines like flour) but the turnover of the goods.

For ASDA caging coincided with expansion: more traditional multiples have faced some difficulties. Tesco, for example, Pine Fare may also have

Awkward

Also the aisles in the store have to be wide enough to take the fork lift trucks that carry the cages, and for slow moving merchandise caging is just not the answer. Other retailers, like Pine Fare, have had awkward experiences with glass containers (and flour), and caging may be unsuitable for small packs like jellies and bulk packs like detergents. It is the ideal medium for unned products, biscuits and the like.

Pine Fare is attempting to steer a middle course between ASDA's pioneering success and Tesco's setbacks with an over-rapid caging policy. In its Hyde superstore Pine Fare may also have progressed too stores with their ability to offer

enthusiastically, and the company is now striving for a balance, mixing cages (perhaps at the bottom of a display) with shelves (at the top).

Its Winsted operation is now given over 20 per cent. to caging, but Keith Padden does not see this selling method extending out of the larger retail outlets, and further expansion is dependent on careful testing. Where caging obviously pays off, as it did in Hyde when biscuits were sold in both cages and on shelves with a higher turnover through the cages, it will be attempted —if the manufacturers will co-operate.

Peter Firmston-William, believes 'hat the manufacturers' doubts can be overcome, especially as caging offers excellent display in store. In a period of remorselessly rising retail grocery prices any new process which can save on labour, on costly store space, and on distribution, is doubly welcome. Caging is here to stay and it will be extended as super

stores with their ability to offer lower prices, will extend themselves, breaking down the prejudices of local authorities. The two ideas go hand-in-hand.

Caging may well mean changes in conventional distribution patterns. The arguments against retailer-controlled warehouses holding stocks of merchandise are reinforced by caging, which is most useful when it eliminates all forms of storage. For Sainsbury's this creates difficulties, since the company has favoured the strategically sited series of depots approach to service its stores.

There seems to be no consumer antagonism to a sensible amount of caging in a shop and one other advantage of this form of selling is that it can be effectively tested against conventional methods at little cost. The fact that the company which has adopted caging most widely, ASDA, is also the company that has been the grocery retailing success story of the decade must be more than a coincidence.

Antony Thornicroft

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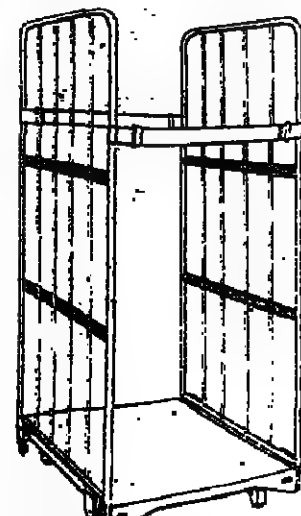
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UNIT LOAD IV

Searching for new techniques

THE DRIVE for new developments in the pallet industry comes from two directions. First, the sector could provide another outlet for materials other than timber. So manufacturers of materials like plastic, paper and board, chipboard and so on have been searching for the right formulae for the commercial breakthrough they hope to achieve.

Then there is the search for the "expendable" pallet, one that costs so little while saving so much that the user does not mind it disappearing after one journey. Behind the search for the expendable pallet is the fact that so far there has been no satisfactory international pallet pool developed—all the pools which do exist operate within national boundaries.

Variety

The problem any designer faces when dealing with the pallet is that the pallet is not used just when goods are despatched. Pallets have to stand in warehouses and stores, often on beam racking. Pallets must be handled by a variety of equipment ranging from the humble hand truck to the forklift truck. Pallets often must be carried in several different vehicles on their journey. Road vehicles of various kinds and an assortment of ships and barges can be involved.

It has been estimated that a pallet load of confectionery going from Birmingham in England to distributors in Sydney, Australia, will be handled on average 17 times before it reaches its final destination. To ask that this is successfully completed at a very low price is asking a lot of industry.

The difficulties facing the potential manufacturer of expendables in the U.K. are even more severe. U.K. food manu-

facturers buy more than 4m. pallets a year and about half of them get lost, are stolen or go astray. Analysis has shown that the total cost per pallet journey within the U.K. food and grocery distribution system, including the basic purchase price, losses, repairs, amortisation and cost of capital, amounts to 65p. So any suitable expendable pallet would be expected to do all that the conventional type will do and yet cost only 65p.

To get an indication of what has been achieved in cutting the cost of an individual pallet you can turn to those manufacturers who have produced some using timber with reduced specifications. These pallets are made to standard designs but with the deck boards reduced in thickness, use is made of inferior timber, fewer nails and less boards.

In this way the cost can be reduced to between half and two-thirds of the cost of a similar normal pallet. One new pallet of this type sells for between £1.40 and £1.80 compared with £3.10 to £3.50 for an ordinary pallet.

The fact that five companies are presenting plastic pallets at the Unit Load Show proves that this material is making a serious attempt to capture a good share of the market. These pallets are, of course, attacking the conventional timber market.

There are various benefits offered by plastic pallets. They are, for example, easily identifiable by colour and appearance. A company can have its name moulded on to the pallet where as identification signs wear off timber types. Plastic pallets are also easily cleaned, making them attractive for food handling. On top of all this they are always the size you want them to be (it is not so easy to produce exactly identical timber pallets) and they are lighter than timber.

The main disadvantage is that

they cost three or four times what a timber pallet costs, size for size. And in the past it was not possible to use plastic pallets in pallet racking systems. However, at least two of the plastic pallets at the Unit Load Show claim that they can be used for racking.

For these companies attempting to produce the disposable plastic pallet the main difficulty is that the material has little rigidity unless very thick sections are used or strength engineered into the material. In the U.S. attempts are being made to finance a programme aimed at establishing if strength can be added to various plastics by altering the structure of the molecules.

Paper and board companies are not only interested in attempting to find new markets for their products but are also big users of pallets themselves. Much time and effort has gone into finding a satisfactory solution but so far without tremendous commercial success.

Polystyrene is light, cheap and can be moulded at no great cost and pallets made from this material will take light loads satisfactorily. At £1 for a 40 inch by 40 inch pallet, these come nearer in price to being the ideal expendable pallet than any of the competition.

Nothing

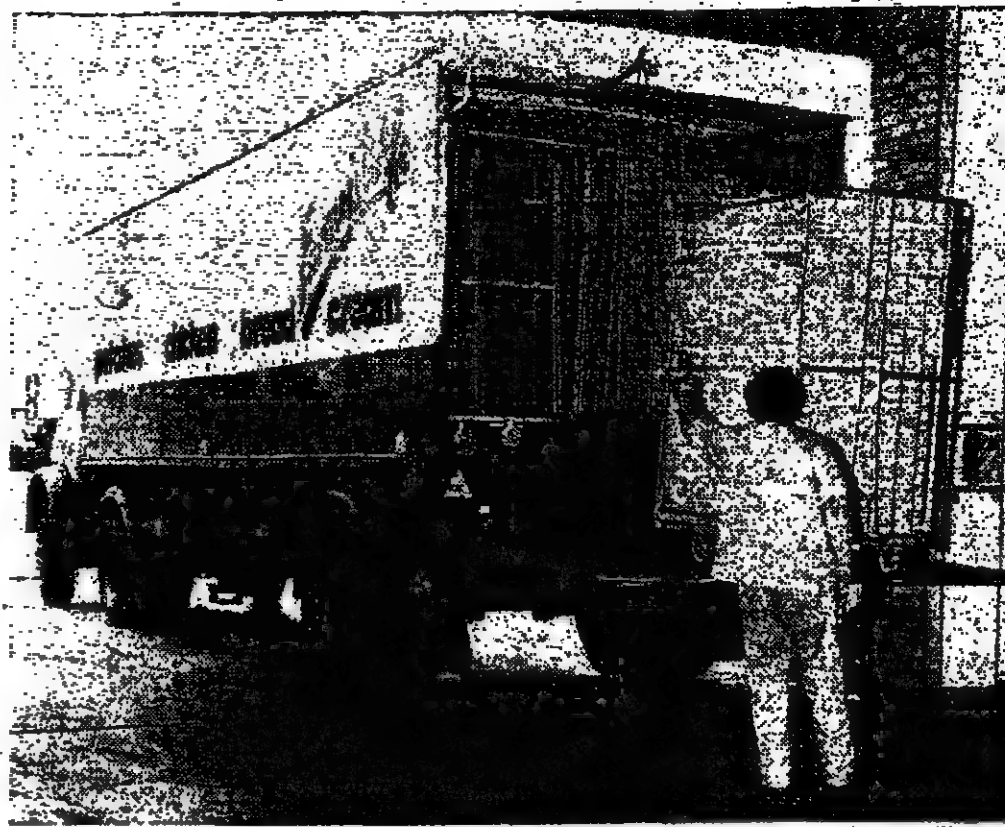
Like paper and board pallets, those made from moulded chipboard or wood waste seem to suffer from performance problems and so far attempts to produce suitable pallets from recycled waste materials seem to have come to nothing.

At the Unit Load Show there will be on show a range of pallets capable of being made fully automatically, at a high speed, from a variety of materials on a single machine. The £400,000 machine can produce pallets from treated or untreated board, plywood, hardboard, or a combination of these

so as to give the user the flexibility to test the right kind of pallet for his job and possibly result in a down-specification of the materials he has been used to employing. And although the Show is not really about industrial trucks and their attachments, one product of this kind will be shown. This is a satellite pallet truck.

The idea is that the satellite truck picks up the pallet and then is itself picked up by a fork-lift truck. Pallet and satellite takes its load into the container, guided by remote control from the fork-lift.

Kenneth Gooding



The HIAB Hydraulic Roll pallet system.

Pallet boxes

unit, the modules enable the container to be filled far more easily and quickly than before.

This means a faster container turnaround either at the manufacturer's factory or at the container base. Loading is by fork-lift truck, diminishing handling costs and because the loads are distributed evenly within the container, there is less risk of damage in transit. Further, savings on direct packaging costs, freight charges, labour and space, are attributed to the use of this system. The protection it gives to goods from handling and pilfering.

Their most suitable use is either for export goods or for high-value and perhaps less robust items, which need the additional protection not generally provided by either shrink or stretch wrap. Some are specially designed for use in standard size containers, such as the Bowfort container module, which are claimed to speed up container loading and reduce risk of damage. It is also claimed that by allowing many small packages to be consolidated into a single

unit, the modules enable the container to be filled far more easily and quickly than before.

The heavy duty board, such as that produced by Reed and Bowater, is designed as a lightweight, low cost replacement for timber or plywood packaging. Demand for the Bowater product is claimed to have increased so rapidly that production and converting capacity have been considerably increased at the main manufacturing centre in Manchester.

Cheaper

There is also increasing demand for bulk containers mounted on pallets, often used with an internal polythene liner, depending on the nature of the contents. These can carry most products normally shipped in intermediate bulk form and are regarded as cheaper and more easy to handle than other expendable containers designed for similar use. Construction is again from heavy duty board. Similarly increased competition from competitors in recent years.

Nevertheless its output continues to grow and it is estimated that it has sales of about 250,000 pallet boxes a year. These go mainly to light engineering companies, book publishers and a wide range of exporters including cosmetics manufacturers and the nearby Pve factory. It produces six standard sizes but will also produce boxes for the specific requirements of a customer.

Bearing

Although Britain is regarded as being well ahead of Continental companies in the design and usage of pallet boxes, a box pallet pool was set up in 1987 by some members of the existing European rail pallet pool. In this role it is regarded as quite satisfactory, due to its wider range of uses, particularly for containing small parts. However, the durability of the product would certainly have a great bearing on the success of such an operation in the U.K.

It is not clear whether new developments in shrink and stretch wrapping are likely to be damaging to the sales of pallet boxes, or whether they will play a complementary part in the industry. Nevertheless, the future cost of boxes, which range roughly from 18 to 25, will determine this when related to alternative covering costs.

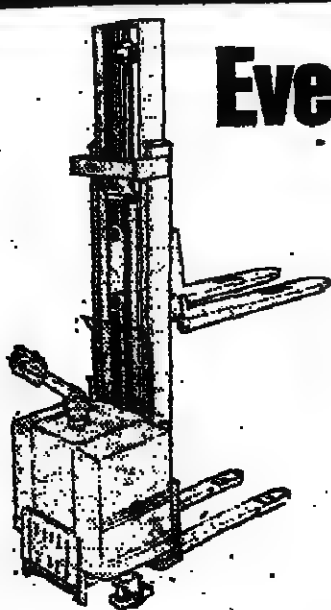
Board prices are an important factor in the long term cost of boxes, and that depends largely on the cost and availability of the waste paper from which they are made. With the cost of imported pulp increasing significantly due to the fall in the value of sterling, more paper companies are turning to the use of waste paper for production of grades such as newsprint.

In the long term this is certain to push up the price of waste paper and stimulate collection by local authorities and is a general observation and private organisations. Whether most customers will be advised this demand will create a need on the suitability of their product for this form of transport. Tiltotons of Burwell, Cambs., are regarded as the market leader, having established its products on the market some years ago, when it was estimated to have up to 80 per cent. of possible condition, a factor the total British market. The company's distinctive integrated pallet, formed by the means of polystyrene, fitted into sleeves under the case, has proved remarkably successful, but it has should be good.

Lorne Barling



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FARMING AND RAW MATERIALS

Sharp fall in cocoa and coffee

By John Edwards, Commodities Editor

THE DECLINE in cocoa prices on the London terminal market accelerated yesterday following a fresh wave of selling mainly by speculators taking their profits.

The March position closed 55.75 lower at \$1,762.5 a tonne after having traded at a high of \$1,845. This compares with record prices of well over \$2,000 a tonne reached about a fortnight ago.

There has been no change in the fundamental supply-demand position to account for the sudden collapse in prices. It is seen mainly as a technical reaction to the recent surge upwards in prices when the market became overbought.

Once under way, the decline triggered off stop-loss selling and made speculators increasingly nervous. The shakeout yesterday afternoon was mainly inspired by speculative selling from New York putting the London market under renewed pressure.

Coffee prices on the London Robusta futures market also turned sharply downwards yesterday afternoon. The March position closed 238 down at \$2,345 a tonne reversing earlier gains in the market during the morning and early afternoon.

Profit-taking selling forced London values and "snowballed" in a final active trading session that was minutes before the close. The firm opening of the New York market, inspired by the decline from the record levels reached on Monday, came despite a prospect of a higher Colombian export price and an armed report that El Salvador had temporarily suspended export registrations.

World sugar stocks rise

WORLD SUGAR stocks in the year ended August 1976 rose by 2,727,000 tonnes to a total of 20,349,000 tonnes, according to final estimates of the 1975-76 sugar balances issued yesterday by F. O. Licht.

Production shown as having risen to 52,852,000 tonnes against 50,768,000 previously, while consumption rose to 79,965,000 tonnes compared with 78,042,000 in 1974-75.

The 1976 final estimates are closely in line with earlier forecasts and came as no surprise to the terminal market. However, values were easier reflecting the prospect of renewed selling by Colombia, Brazil and the Dominican Republic—leading exporters.

The Brazilian Sugar Institute confirmed it had sold white sugar recently, but claimed it was staying out of the raws market.

Potato stocks still at low level

By Peter Bullen

POTATO SUPPLIES this winter may be no more plentiful than they were last year, the Potato Marketing Board's official estimate has shown.

Releasing details of its end of October census yesterday, the PMB said it expected 2,135,000 tonnes suitable for consumption would be available. This is more than last year's 1,900,000 tonnes, but the difference may easily be wiped out by the fact that at the end of October 1975 only 5,000 hectares remained to be lifted.

This year, at the same time, 58,000 hectares were in the ground because of lifting difficulties caused by the very wet weather. However, since the end of October improved conditions have enabled much of the backlog to be cleared.

The hot, dry summer which hit yields this year, followed by the excessively wet autumn has also meant that the keeping quality of potatoes is poorer with much greater wastage in stored potatoes anticipated than was expected last winter. Hence, the PMB expects the increase in the area planted from 190,000 hectares to 195,000 to cancel out the loss through wastage.

The Board points out that home produced supplies will be augmented again by imports as the Government is continuing its suspension of its traditional ban on maize corn imports while keeping its ban on exports in an endeavour to maintain supplies.

So far this year 103,000 tonnes have been imported compared with 123,000 tonnes at the same time in 1975. There are some doubts, too, about the availability of overseas supplies this winter, but imports of U.S. potatoes may release Continental supplies for shipment to the U.K.

Rubber producers sign price pact

THE WORLD'S leading natural rubber producing countries signed an agreement here to stabilise rubber prices by stockpiling and production controls, officials of the Association of Natural Rubber Producing Countries, said.

The agreement was signed by Indonesia, Malaysia, Thailand, Sri Lanka and also by Singapore. The agreement climaxed 18 months of complex negotiations following an outline accord in May 1975. It was signed at the close of the fifth ministerial assembly of the Association—a grouping of the five signatories—India and Papua New Guinea.

Under the agreement an International Natural Rubber Council will be established with its headquarters in Kuala Lumpur.

Peak price for Iceland fish catch

By Our Own Correspondent

COD COULD be \$1 a lb in the shops to-day. On the wholesale market at Hull yesterday, prices were the highest anyone could remember.

Cod hauls were fetching a record average \$3 a stone, with the top quality up to \$9. Coddling fillets were an average \$7 a stone.

The trawler Hammond Lines said 22,000 tonnes of cod were caught from Bear Island for \$28,375, which was a world record until the Icelandic trawler Ogr, later sold 24,700 tonnes of fish for more than \$35,000.

The Anglo-Icelandic fishing agreement ends to-day and British trawlers will be instructed by Fisheries Ministry support vessels to leave the 200-mile limit by midnight.

The alternative fishing grounds for British trawlers will be Bear Island, 3,000 miles from home, and the Barents Sea—a 7,000-mile round trip.

Variable rate farm loans to cost more

By Our Commodities Staff

FROM TO-DAY the interest rate for both existing and new variable rate loans made by the Agricultural Mortgage Corporation will be 17 per cent.

For those who already have a variable rate loan this will mean a rise of either 4 per cent from the 13 per cent fixed on June 1 or 1 per cent from 14 per cent for those who received the advance October 19 when the last change was announced for new variable rate loans only.

The AMC says the rate for these loans, which account for some 200,000 of the Corporation's \$200m. lent to farmers, will be reviewed again on June 1, 1977. The lending rate of interest for new fixed rate loans remains at 15 per cent.

Paraguay bans hide exports

ASUNCION, Nov. 30. Paraguay has banned exports of raw hides with effect from January 1, 1977, under a Presidential decree issued here.

Exports of raw hides last year were valued at \$4.2m. The ban is aimed at protecting the domestic tanning and footwear industries and to promote footwear exports.

Moving mountains for copper

BY NICHOLAS ASHESHOV

ONE OF the world's biggest, and most expensive new copper mines was officially opened in Cuzco last week with a ceremony which significantly was attended by Peru's military leaders as well as important international mining financiers.

The Cuzco mine—high in the dry, brown coastal sierra of Peru's deep south—has cost \$730m. so far and the owners, Southern Peru Copper Corporation (SPCC), are still seeking a further \$54m. in "pipeline" finance.

With copper prices in the doldrums the extra money is proving hard to find. But the achievement in bringing Cuzco to production marks the culmination of one of the hardest financial deals in international mining, as well as the completion of a great engineering feat including literally moving two mountains.

The mine started in 1968 when Southern Peru Corporation signed an agreement with the year-old left-wing revolutionary Government of General Juan Velasco for the development of the mine. But for the next four years the company, despite a good track record and excellent connections, had to run what

amounted to an international financing blockade. President Velasco had just nationalised all the assets of the

owned by Kennecott and Anaconda. In neighbouring Bolivia, General J. J. Torres nationalised both Gulf Oil and

Downward pressure on international copper prices should continue over the next few months despite a rapid rise in consumption. The Hamburg Economic Research Institute forecast yesterday.

In a study of the world copper markets, the institute said the surplus of supplies in

the western world will increase in 1977 if Chile produces with its increased production policy. However, the threat to prices from higher output

may be eased to some extent by possible strikes by the north American copper workers when existing labour contracts expire in mid-1977.

U.S. Steel. There can, in short, have never been a less propitious time for a U.S. copper company to look around for "several hundred million dollars worth of borrowed money."

The final financing package is complex and expensive. It says a lot for the single-mindedness of the SPCC shareholders—principally Asarco, Phelps Dodge, Cerro-Maron Corp. and Newmont Mining—joined later by

Additional money came from the Banco de Credito. About 150m. of the Chace package came from the U.K.—most of it to finance British equipment. In the concentrating and crushing plants. Within the basic financial blocks with over \$50m. still being sought—are all sorts of "bridging" loans and other kinds of short-term funds.

As with most large mining projects, the money came mostly from suppliers financing of one kind or another or from the advance sale of copper from the mine to refineries and traders.

SPCC's owners will take about 70,000 tonnes a year. Germany (Norddeutsche Afrike) and Japan about 15,000 tonnes a year each. The U.K., principally Enfield Refining, bought 30,000 tonnes of blister and 10,000 tonnes of refined copper.

Cuzco will produce 155,000 tonnes a year, a year ago together bringing Peru's production to about 375,000 tons a year.

Australian wool support price lifted

BY KENNETH RANDALL

THE AUSTRALIAN Government has approved an increase of the floor price for wool from 21 pence to 22 pence following the devaluation of the Australian dollar.

It authorised the Australian Wool Corporation to lift their average floor price for the whole of 1976 from 21 pence to 22 pence, compared with the previous 23 pence.

Mr. Ian Sinclair, the Minister for Primary Industry, said the change "takes full account" of the devaluation. Prices relative to the various wool types and details of the operation of reserve prices at the auctions have been left to the Corporation. But Mr. Sinclair said the Government remains firmly committed to guaranteeing the wool price.

"We do not want to see our customers who have recently bought wool disadvantaged, nor do we want to see the gathering strength of demand for wool, evident before the devaluation, being lost by the currency move."

Trade sources in Sydney expect the Corporation to be a heavy buyer at this week's

wool auctions which resume tomorrow, reports Reuters. Foreign buyers are expected to need to compensate fully for the devaluation.

Some traders are talking of 40 to 50 per cent purchases by the Corporation, but others expect purchases to range between 15 to 25 per cent of the offering as the Corporation uses its flexible reserve price powers to support the market.

As a lot of buyers are over-

bought, partly on devaluation expectations, it is thought they will afford to play a waiting game.

Our Commodities Staff writes: The Sydney wool futures market reopened with record trading of 2,555 lots. Prices rose sharply initially, especially in the near position, but later eased from the peaks.

There was another active day on the London wool futures market yesterday, too, with prices closing slightly lower on balance moving erratically.

Aluminium output resumed

MONTREAL, Nov. 30. ALCAN REPORTED that its 6,300 hourly-paid workers are back at work after a five-month strike.

Three lines will also be on power at the company's 103,000-tonne smelter in northern Quebec, and first production at Isle Maligne and Beauharnois should resume in a few days.

The company plans to restart three smelters slightly ahead of schedule and more than 90 per cent of the

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Barely changed on the London Metal Exchange as quiet trading continued. Forward metal closed at 1974 and on to 1976 on reports of an earthquake in Chile but then slipped back as selling re-entered the market. In the

	Oct. 1976	Nov. 1976	Dec. 1976
Wholesale	755.5	755.5	755.5
1 month	755.5	755.5	755.5
3 months	755.5	755.5	755.5
6 months	755.5	755.5	755.5
1 year	755.5	755.5	755.5

COFFEE

Market reports said terminal trading on local producing areas after some quietness. The market showed some signs of recovery after a period of heavy selling. The price for strictly high grown was still weak but the market was still white with a few kilos being sold at 1.15.

	Oct. 1976	Nov. 1976	Dec. 1976
High Grade	50.00	50.00	50.00
1 month	50.00	50.00	50.00
3 months	50.00	50.00	50.00
6 months	50.00	50.00	50.00
1 year	50.00	50.00	50.00

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A YEAR'S RECORD PROVES NEW COMMODITY TIMING INDICATOR SUCCESSFUL

It's called the Eurocharts Timing Indicator and is now included in the weekly Metals and Soft Commodities Reports. Designed to help commodity traders cut losses and run profits more effectively the Indicator has been repeatedly developed over the last year and has recently been made available.

Printed below are the recommendations for COFFEE over the last 12 months together with the price ruling at the time. Would this information have improved your dealing profits?

DATE	RECOMMENDATION	PRICE LEVEL
2nd January	BUY	£800
16th January	SELL	850
30th January	BUY	830
13th February	SELL	890
2nd March	BUY	870
29th April	SELL	1330
2nd May	BUY	1320
14th May	BUY	1440
24th May	BUY	1420
26th May	SELL	1450
1st June	BUY	1490
2nd June	SELL	1580
25th June	BUY	1530
6th July	BUY	1580
26th July	BUY	1290
29th August	SELL	1230
3rd September	BUY	2240
19th November	BUY	2330

Each day's figures for up-dating the Timing Indicator are available within 15 hours of the markets close.

Annual Subscription £40. For further details and a two week FREE TRIAL of both Metals and Soft Commodity Reports contact:

EUROCHARTS LIMITED, 18/19 Fish Street Hill, London EC3R 6BY. Tel: 077954. Telephone: 01-283 2284.

PUBLIC NOTICES

N.M. LAND REGISTRY
LOST CERTIFICATES
It is hereby notified that the following certificates have been lost and the same are hereby cancelled:
A. 1000/1001/1002/1003/1004/1005/1006/1007/1008/1009/1010/1011/1012/1013/1014/1015/1016/1017/1018/1019/1020/1021/1022/1023/1024/1025/1026/1027/1028/1029/1030/1031/1032/1033/1034/1035/1036/1037/1038/1039/1040/1041/1042/1043/1044/1045/1046/1047/1048/1049/1050/1051/1052/1053/1054/1055/1056/1057/1058/1059/1060/1061/1062/1063/1064/1065/1066/1067/1068/1069/1070/1071/1072/1073/1074/1075/1076/1077/1078/1079/1080/1081/1082/1083/1084/1085/1086/1087/1088/1089/1090/1091/1092/1093/1094/1095/1096/1097/1098/1099/1100/1101/1102/1103/1104/1105/1106/1107/1108/1109/1110/1111/1112/1113/1114/1115/1116/1117/1118/1119/1120/1121/1122/1123/1124/1125/1126/1127/1128/1129/1130/1131/1132/1133/1134/1135/1136/1137/1138/1139/1140/1141/1142/1143/1144/1145/1146/1147/1148/1149/1150/1151/1152/1153/1154/1155/1156/1157/1158/1159/1160/1161/1162/1163/1164/1165/1166/1167/1168/1169/1170/1171/1172/1173/1174/1175/1176/1177/1178/1179/1180/1181/1182/1183/1184/1185/1186/1187/1188/1189/1190/1191/1192/1193/1194/1195/1196/1197/1198/1199/1200/1201/1202/1203/1204/1205/1206/1207/1208/1209/1210/1211/1212/1213/1214/1215/1216/1217/1218/1219/1220/1221/1222/1223/1224/1225/1226/1227/1228/1229/1230/1231/1232/1233/1234/1235/1236/1237/1238/1239/1240/1241/1242/1243/1244/1245/1246/1247/1248/1249/1250/1251/1252/1253/1254/1255/1256/1257/1258/1259/1260/1261/1262/1263/1264/1265/1266/1267/1268/1269/1270/1271/1272/1273/1274/1275/1276/1277/1278/1279/1280/1281/1282/1283/1284/1285/1286/1287/1288/1289/1290/1291/1292/1293/1294/1295/1296/1297/1298/1299/1300/1301/1302/1303/1304/1305/1306/1307/1308/1309/1310/1311/1312/1313/1314/1315/1316/1317/1318/1319/1320/1321/1322/1323/1324/1325/1326/1327/1328/1329/1330/1331/1332/1333/1334/1335/1336/1337/1338/1339/1340/1341/1342/1343/1344/1345/1346/1347/1348/1349/1350/1351/1352/1353/1354/1355/1356/1357/1358/1359/1360/1361/1362/1363/1364/1365/1366/1367/1368/1369/1370/1371/1372/1373/1374/1375/1376/1377/1378/1379/1380/1381/1382/1383/1384/1385/1386/1387/1388/1389/1390/1391/1392/1393/1394/1395/1396/1397/1398/1399/1400/1401/1402/1403/1404/1405/1406/1407/1408/1409/1410/1411/1412/1413/1414/1415/1416/1417/1418/1419/1420/1421/1422/1423/1424/1425/1426/1427/1428/1429/1430/1431/1432/1433/1434/1435/1436/1437/1438/1439/1440/1441/1442/1443/1444/1445/1446/1447/1448/1449/1450/1451/1452/1453/1454/1455/1456/1457/1458/1459/1460/1461/1462/1463/1464/1465/1466/1467/1468/1469/1470/1471/1472/1473/1474/1475/1476/1477/1478/1479/1480/1481/1482/1483/1484/1485/1486/1487/1488/1489/1490/1491/1492/1493/1494/1495/1496/1497/1498/1499/1500/1501/1502/1503/1504/1505/1506/1507/1508/1509/1510/1511/1512/1513/1514/1515/1516/1517/1518/1519/1520/1521/1522/1523/1524/1525/1526/1527/1528/1529/1530/1531/1532/1533/1534/1535/1536/1537/1538/1539/1540/1541/1542/1543/1544/1545/1546/1547/1548/1549/1550/1551/1552/1553/1554/1555/1556/1557/1558/

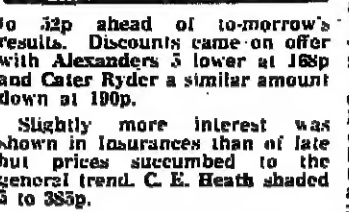
Equities close above worst but still highly sensitive

Index down 4.8 at 297.6, after 294.3—Australians lower again

Oil reactionary

Moving with the general market trend, the Oil leaders closed lower today above the day's worst. Shell was offered freely in the early morning and touched 400s before reacting a net 6 down at 402s, while British Petroleum, ahead of tomorrow's three-quarter results, reacted a like amount to 738s. After 734s. Overseas and investment funds were the main importers of gasoline to Rotterdam at 440s, while domestic market drivers were responsible for declines in Woodside-Burmah, 4s cheaper at 38s; after 94s, and in Esso, which came back 5 to 313s. Shellbens (U.K.) fell 5 to 36p.

Properties resented part of the ground gained on Monday which



	HIGHS AND LOWS				S.E. ACTIVITY			
	Time		Since Completion				Not	Not
	High	Low	High	Low			20	25
1st sec.	63.81	60.59	117.4	49.18	Daily		181.7	168.9
2nd sec.	60.92	57.10	97.9	111.02	5-day Edged		159.0	129.6
3rd sec.	64.45	62.37	150.0	50.68	Impulsive		78.0	71.8
4th sec.	57.95	59.10	68.11	61.17	Impulsive		85.4	91.4
5th sec.	63.03	60.55	54.5	49.6	5-day A.V. Avg.		170.7	175.5
6th sec.	61.74	58.17	116.0	111.0	Impulsive		123.9	123.5
7th sec.	64.69	78.8	142.3	62.9	Impulsive		27.5	29.3
8th sec.	75.11	78.0	220.0	107.0	Total		82.0	82.8

MONTHLY AVERAGES
OF STOCK INDICES

Nov.	Dec.	Jan.	Aug.
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Financial Time

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

[illegible]

An afternoon spurt in sterling helped several Miscellaneous Industrial leaders close a few pennies above the day's low after a 2-point advance in the afternoon at 1537. After 1539, and Becham 2 off at 3249, after 3189. Turner and Newall lost 5 at 3129 and American Overseas at 3739. Rec'd. and Colman were 10 down at 2889, up by the 174 per cent. devaluation of the Australian currency; the company had been considering the Australian interest. Scottish and Universal Investments ended a penny off at 309 after the results; news that the Stock Exchange Special Committee's report on Sulfur was "not too good."

Stock	Denomina- tion	No. of shares	Closing price (p)	Change on day	1976 high	1976 low
ICI	£1	21	282	- 4	402	236
Shell Transport	25p	13	462	- 6	482	337
ICI	£1	18	74	- 6	74	63
BATs Defd.	25p	11	210	-	225	150
Courtaulds	25p	8	78	- 2	109	78
GKN	£1	9	224	- 5	260	202
Reed Int'l.	25p	9	176	- 4	274	136
Commercial Union	25p	8	87	- 1	138	75
Distillers	50p	8	108	-	138	85
ICI Computers	£1	8	118	- 5	131	80
Lyons (J.L.)	£1	8	43	- 2	43 1/2	31
Marks & Spencer	25p	8	74	- 1	108	70
Tate & Lyle	£1	8	226	- 6	295	192
Ladbroke Group	10p	7	83	- 1	116	66
Unilever	25p	7	278	- 4	309	248

The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 18(1)(1c).

OPTION DEALING DATES				
Fut.	Last	Decla-	For	
Deal-	Deal-	Decla-	Settling	
ing	ing	ring	ment	
Nov. 23	Dec. 6	Feb. 24	Mar. 8	
Dec. 7	Dec. 20	Mar. 10	Mar. 22	
Dec. 21	Jan. 11	Mar. 24	Apr. 5	

Calls were dealt in Burslem Oil, Burslem Petroleum, Burslem International Computers, London United, Land Securities, Gateway Securities, National Westminster Bank, Warrants, ICI and Plessey Property. Puts were done in ICI, Shell Transport and Glaxo, while doubles were arranged in ICI, Shell Transport and Glaxo, and Capital and Counties, ICI and Plessey. Short-dated puts were done in ICI, Shell Transport and Glaxo, while London was arranged in ICI and Shell Transport.

<p> NEW FIRMS (1) INTERNATIONAL BANK (1) 100, Spr. St. 1-52 </p> <p> NEW LOWS (41) CANADIANS (4) Citi Canada Hudson's Bay Imperial Oil BANKS (4) Bank of Montreal N.W. Ac. 12-52 N.W. Ac. 12-52 N.W. Ac. 12-52 BUILDINGS (7) C.I. 1-52 C.I. 1-52 C.I. 1-52 C.I. 1-52 C.I. 1-52 C.I. 1-52 C.I. 1-52 NEW FIRMS (1) 100, Spr. St. 1-52 </p>	<p> Allowing securities issued in the 1970s and 1980s. and New Highs and Lows for 1975. </p> <p> Allied Irish Banks Ltd. 14 1/2 % American Express Bank 14 1/2 % Bank of Portugal 14 1/2 % (Hercy) Ansbacher 14 1/2 % Banco de Bilbao 14 1/2 % Bank of Credit & Comm. 14 1/2 % Bank of Cyprus 14 1/2 % Bank of N.W. 14 1/2 % Banque du Rhone S.A. 14 1/2 % Barclays Bank 14 1/2 % Bernhart, Christie Ltd. 14 1/2 % Bank of Serris Ltd. 14 1/2 % Bremer Holdings Ltd. 14 1/2 % Brit. Bank of Mid. East 14 1/2 % B. Brown, Shiloh 14 1/2 % </p>
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[illegible][illegible]

■ Morgan Grenfell	14 3/4
■ National Westminster	14 3/4
■ Norwich General Trust	14 3/4
■ P. S. Repton & Co.	14 3/4
■ Rosemount Assurance	14 3/4
■ Royal Bk. Canada Trust	14 3/4
■ Schlesinger Limited	14 3/4
■ E. S. Schwab	15 3/4
■ Security Trust Co. Ltd.	15 3/4
■ Sheale & Co.	15 3/4
■ Standard Charters	14 3/4
■ Trade Development Bk.	14 3/4
■ Twentieth Century Bk.	15 3/4
■ United Bank of Kuwait	15 3/4
■ United Bank Ltd.	14 3/4
■ Williams & Glyn's	14 3/4
■ Yorkshire Bank	14 3/4

Treasury Bills	Single Class Bills	Five Year Bills
144	144	144

14g 14h 14i 14j 14k 14l 14m 14n 14o 14p 14q 14r 14s 14t 14u 14v 14w 14x 14y 14z 14aa 14ab 14ac 14ad 14ae 14af 14ag 14ah 14ai 14aj 14ak 14al 14am 14an 14ao 14ap 14aq 14ar 14as 14at 14au 14av 14aw 14ax 14ay 14az 14ba 14bb 14bc 14bd 14be 14bf 14bg 14bh 14bi 14bj 14bk 14bl 14bm 14bn 14bo 14bp 14bq 14br 14bs 14bt 14bu 14bv 14bw 14bx 14by 14bz 14ca 14cb 14cc 14cd 14ce 14cf 14cg 14ch 14ci 14cj 14ck 14cl 14cm 14cn 14co 14cp 14cq 14cr 14cs 14ct 14cu 14cv 14cw 14cx 14cy 14cz 14da 14db 14dc 14dd 14de 14df 14dg 14dh 14di 14dj 14dk 14dl 14dm 14dn 14do 14dp 14dq 14dr 14ds 14dt 14du 14dv 14dw 14dx 14dy 14dz 14ea 14eb 14ec 14ed 14ee 14ef 14eg 14eh 14ei 14ej 14ek 14el 14em 14en 14eo 14ep 14eq 14er 14es 14et 14eu 14ev 14ew 14ex 14ey 14ez 14fa 14fb 14fc 14fd 14fe 14ff 14fg 14fh 14fi 14fj 14fk 14fl 14fm 14fn 14fo 14fp 14fq 14fr 14fs 14ft 14fu 14fv 14fw 14fx 14fy 14fz 14ga 14gb 14gc 14gd 14ge 14gf 14gg 14gh 14gi 14gj 14gk 14gl 14gm 14gn 14go 14gp 14gq 14gr 14gs 14gt 14gu 14gv 14gw 14gx 14gy 14gz 14ha 14hb 14hc 14hd 14he 14hf 14hg 14hh 14hi 14hj 14hk 14hl 14hm 14hn 14ho 14hp 14hq 14hr 14hs 14ht 14hu 14hv 14hw 14hx 14hy 14hz 14ia 14ib 14ic 14id 14ie 14if 14ig 14ih 14ii 14ij 14ik 14il 14im 14in 14io 14ip 14iq 14ir 14is 14it 14iu 14iv 14iw 14ix 14iy 14iz 14ja 14jb 14jc 14jd 14je 14jf 14jg 14jh 14ji 14jj 14jk 14jl 14jm 14jn 14jo 14jp 14jq 14jr 14js 14jt 14ju 14jv 14jw 14jx 14jy 14jz 14ka 14kb 14kc 14kd 14ke 14kf 14kg 14kh 14ki 14kj 14kk 14kl 14km 14kn 14ko 14kp 14kq 14kr 14ks 14kt 14ku 14kv 14kw 14kx 14ky 14kz 14la 14lb 14lc 14ld 14le 14lf 14lg 14lh 14li 14lj 14lk 14ll 14lm 14ln 14lo 14lp 14lq 14lr 14ls 14lt 14lu 14lv 14lw 14lx 14ly 14lz 14ma 14mb 14mc 14md 14me 14mf 14mg 14mh 14mi 14mj 14mk 14ml 14mm 14mn 14mo 14mp 14mq 14mr 14ms 14mt 14mu 14mv 14mw 14mx 14my 14mz 14na 14nb 14nc 14nd 14ne 14nf 14ng 14nh 14ni 14nj 14nk 14nl 14nm 14nn 14no 14np 14nq 14nr 14ns 14nt 14nu 14nv 14nw 14nx 14ny 14nz 14oa 14ob 14oc 14od 14oe 14of 14og 14oh 14oi 14oj 14ok 14ol 14om 14on 14oo 14op 14oq 14or 14os 14ot 14ou 14ov 14ow 14ox 14oy 14oz 14pa 14pb 14pc 14pd 14pe 14pf 14pg 14ph 14pi 14pj 14pk 14pl 14pm 14pn 14po 14pp 14pq 14pr 14ps 14pt 14pu 14pv 14pw 14px 14py 14pz 14qa 14qb 14qc 14qd 14qe 14qf 14qg 14qh 14qi 14qj 14qk 14ql 14qm 14qn 14qo 14qp 14qq 14qr 14qs 14qt 14qu 14qv 14qw 14qx 14qy 14qz 14ra 14rb 14rc 14rd 14re 14rf 14rg 14rh 14ri 14rj 14rk 14rl 14rm 14rn 14ro 14rp 14rq 14rr 14rs 14rt 14ru 14rv 14rw 14rx 14ry 14rz 14sa 14sb 14sc 14sd 14se 14sf 14sg 14sh 14si 14sj 14sk 14sl 14sm 14sn 14so 14sp 14sq 14sr 14ss 14st 14su 14sv 14sw 14sx 14sy 14sz 14ta 14tb 14tc 14td 14te 14tf 14tg 14th 14ti 14tj 14tk 14tl 14tm 14tn 14to 14tp 14tq 14tr 14ts 14tt 14tu 14tv 14tw 14tx 14ty 14tz 14ua 14ub 14uc 14ud 14ue 14uf 14ug 14uh 14ui 14uj 14uk 14ul 14um 14un 14uo 14up 14uq 14ur 14us 14ut 14uu 14uv 14uw 14ux 14uy 14uz 14va 14vb 14vc 14vd 14ve 14vf 14vg 14vh 14vi 14vj 14vk 14vl 14vm 14vn 14vo 14vp 14vq 14vr 14vs 14vt 14vu 14vv 14vw 14vx 14vy 14vz 14wa 14wb 14wc 14wd 14we 14wf 14wg 14wh 14wi 14wj 14wk 14wl 14wm 14wn 14wo 14wp 14wq 14wr 14ws 14wt 14wu 14wv 14ww 14wx 14wy 14wz 14xa 14xb 14xc 14xd 14xe 14xf 14xg 14xh 14xi 14xj 14xk 14xl 14xm 14xn 14xo 14xp 14xq 14xr 14xs 14xt 14xu 14xv 14xw 14xx 14xy 14xz 14ya 14yb 14yc 14yd 14ye 14yf 14yg 14yh 14yi 14yj 14yk 14yl 14ym 14yn 14yo 14yp 14yq 14yr 14ys 14yt 14yu 14yv 14yw 14yx 14yy 14yz 14za 14zb 14zc 14zd 14ze 14zf 14zg 14zh 14zi 14zj 14zk 14zl 14zm 14zn 14zo 14zp 14zq 14zr 14zs 14zt 14zu 14zv 14zw 14zx 14zy 14zz

RATES

44 per cent.: four-month trade	14 1/2
per cent.: two-month 120-day per	14 1/2
cents 144-145 1/2 per cent.: two-	13 9/16
per cent.: two-month 144-145 per	

December 1, 1918. Clearing Bank
for lending 14 per cent. Treasury

† Atlantic Assurance 14 1/2
Cannon Insurance 13 9/16

† Address shown under Insurance and
Property Bond Table.

مَكْنَزٌ مِنَ الْأَصْلِ

[illegible][illegible]

OFFSHORE AND OVERSEAS FUNDS									
Arbitrage Securities (C.I.) Limited									
P.O. Box 204, St. Helier, Jersey	00947277								
Cop. Tr. Gestor	171.0	70.0	2.58						
Net Asset Value	127.0	20.0							
Div. Yield	1.0	0.0							
Div. Payout	1.0	0.0							
Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
Div. Payout	1.0	0.0							
Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
Div. Payout	1.0	0.0							
Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
Div. Payout	1.0	0.0							
Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
Div. Payout	1.0	0.0							
Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
Div. Payout	1.0	0.0							
Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
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Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
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Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
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Div. Frequency	1.0	0.0							
Div. Yield	1.0	0.0							
Div. Payout	1.0	0.0							
Div. Frequency	1.0	0.0							

مَكْنَزٌ مِنَ الْأَصْلِ

